Nation's Business

A USEFUL LOOK AHEAD

JUNE 1962

THE PUBLIC INTEREST WHO CAN JUDGE IT

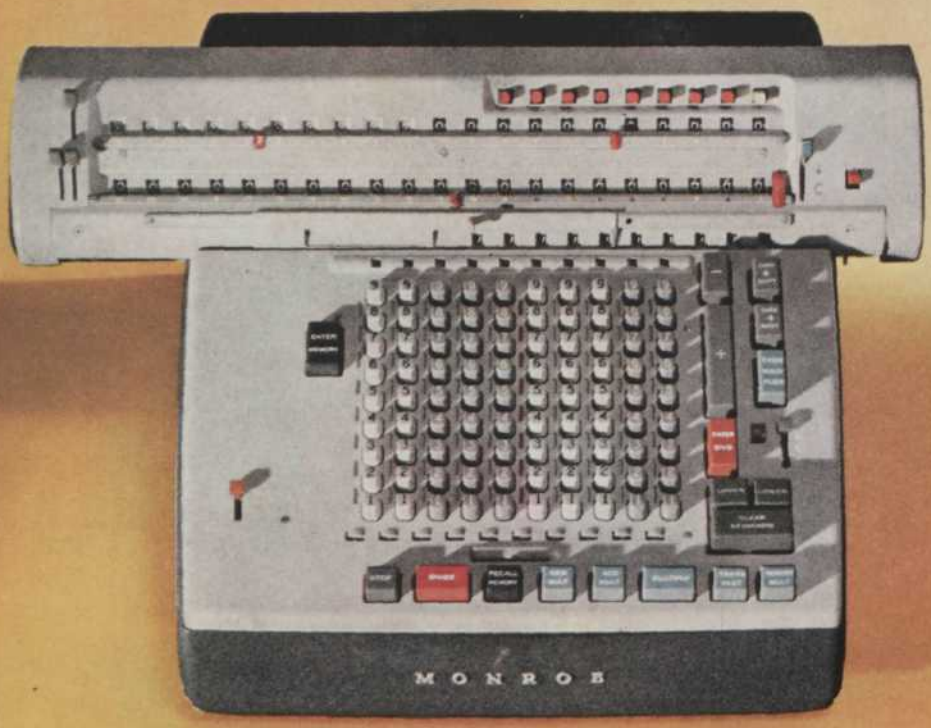
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Qualities of victory: **Justice** PAGE 40

Future doctors oppose federal medicine PAGE 34

Survey shows how to succeed PAGE 38

Needs for cold war victory PAGE 31



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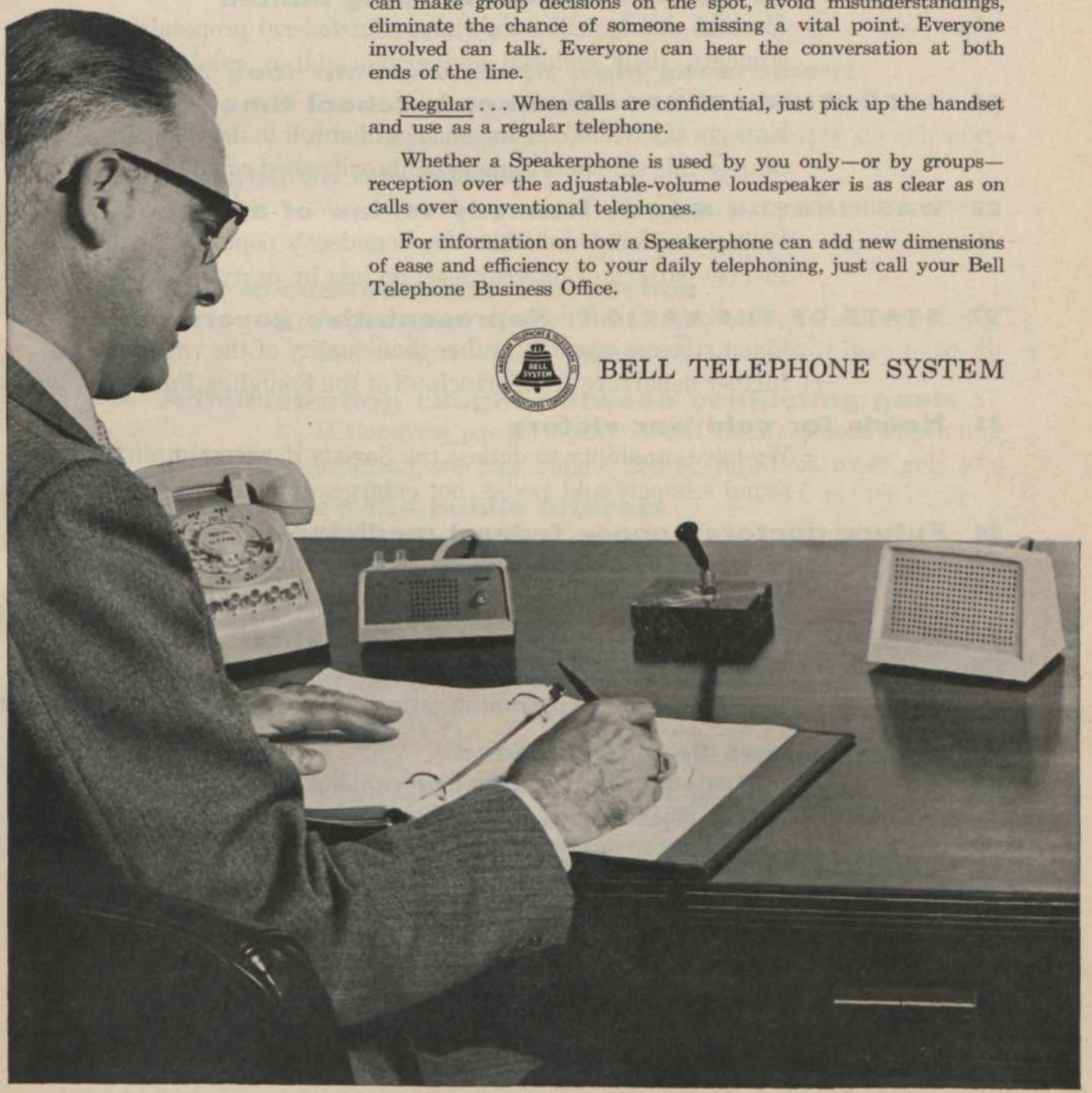
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Nation's Business

June 1962 Vol. 50 No. 6
Published by the Chamber of Commerce of the United States
Washington, D.C.

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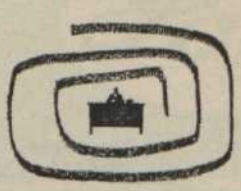
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WASHINGTON **BUSINESS OUTLOOK**

It's federal deficit month again.

Fiscal '62 ends on June 30.

That'll be a Saturday night.

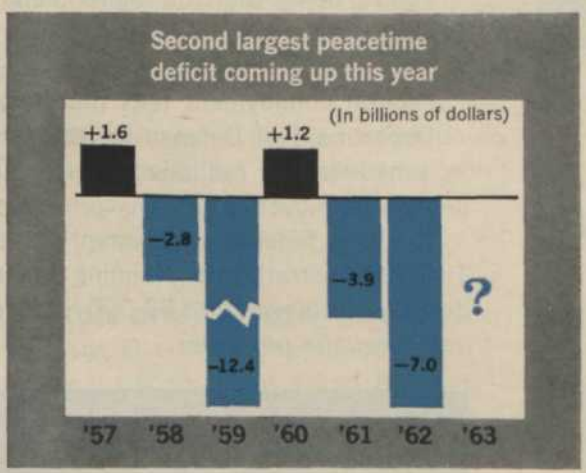
The following Sunday morning 186 million Americans will wake up with the second largest peacetime deficit headache in history.

Final tabulation of government revenue and outgo won't be made for a while. But guess in Washington now is that Uncle Sam will be at least $7 billion in the red.

Could be more.

It'll be the 25th deficit since 1932.

In that time Uncle Sam has run in the red a total of $290.7 billion, being able to balance the books only six times.



By comparison, budget surpluses for those six years amount only to $17.1 billion.

That means:

In 31 years of operations the government has spent an average of nearly $9 billion a year more than it has taken in through taxes and other revenues.

Mark June 15 on your calendar.

On that day the debt will reach the peak and Uncle Sam's bank balance will be at its lowest.

Situation expected at mid-month shapes up like this:

High-water mark for the federal debt will be just a shade below the legal limit of $300 billion.

Cash in banks to cover contingencies and liabilities will sink to barely enough to run the government for three days.

Normal bank balance is enough to run the government four times as long.

By the end of the month some of the debt will be paid off and the cash position will improve. But the total debt will still be more than $5 billion higher than it was 12 months earlier.

There's a new worry inside government.

It's this:

If there's a new upsurge of inflation in months ahead, who'll the public blame?

It'll be hard, government insiders admit privately, to blame businessmen—who are holding prices down.

What government officials worry about is possibility that a larger proportion of the voting public will begin to look to government as a cause of inflation.

This, officials know, could have unfavorable political consequences.

Prediction:

You can expect an intensified drive by government to avoid inflation. Look for it to be mentioned in public speeches and comments of top officials—increasingly so in next few months.

Price trends are shaping up like this:

Index for all consumer items is roughly four per cent higher than it was in '58.

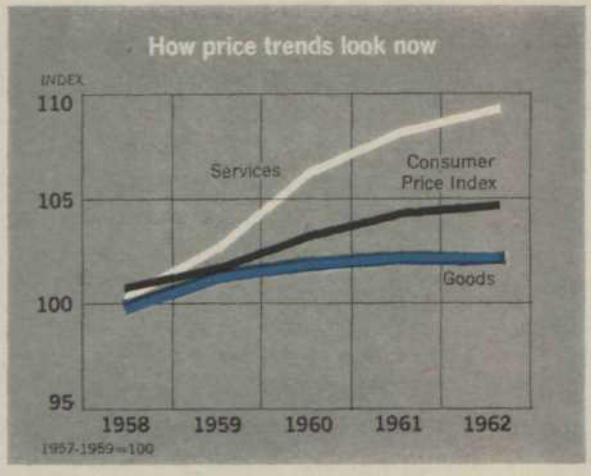
But not all items in price index are sailing along together.

Examples:

Services today cost about 8.5 per cent more

than in '58. This index is moving up more than twice as fast as the index for all consumer items.

Goods on the other hand are up only about 2.2 per cent. This index is moving up only half as fast as the all-items index.



For durable goods the level is only 1.1 per cent higher than '58.

This means the rise in prices of durable goods is only a fourth as much as the rise in all consumer prices.

Wholesale price index now is actually only two tenths of one percentage point higher than in '58.

This shows clearly that businessmen are holding the line on inflation.

Look at industry pay and cost trends.

Wages and salaries paid to corporation employes have more than doubled since '50.

Profits of corporations after taxes last year were actually lower.

This year profits are headed up—at least until now. But profit rise is far short of overtaking wage-cost increases.

This means industry actually is absorbing a great deal of the inflationary push of soaring wage costs—not passing inflationary force on to consumers.

Government overlooks government as a cause of inflation.

But look objectively at trends. The truth shows through.

Example:

Federal spending in '62 will be a third higher than in '58.

Collections from the public meanwhile will be up 25 per cent.

This means Uncle Sam will use more red-ink financing again this year.

Next year?

Total federal spending is expected to be about 15.4 per cent above '61.

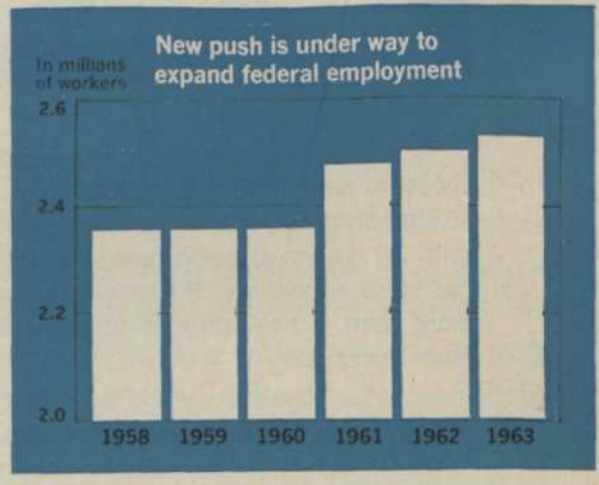
What's causing the rise?

You're being told it's higher defense costs. Pentagon spending is rising—but so is spending for welfare programs.

Federal employment tells the story.

Department of Defense for the coming year is scheduling a reduction in the number of civilian employes.

Yet total federal employment is headed up. The Administration is planning to boost non-defense employment 139,000 in the coming year over the past year.



In addition, government pay is headed higher. Pay proposal before Congress would hike federal salaries at least $1 billion when fully in force.

Proposed pay boosts range from 3.7 per cent for lower-paid federal workers to 35 per cent more pay for top-bracket employes.

Total federal employment of civilians is programed to rise above 2.5 million in the coming year.

Federal employment remained approximately level from '54 until fiscal '61.

Then it began to rise. For the coming year more rise is anticipated (see chart).

Ever wonder what medical students think of compulsory health taxation?

Editors of Nation's Business did.

A survey was conducted at 17 of the nation's leading medical schools.

Finding:

Many students said if the nation continues to move toward socialized medicine they won't practice in this country.

Details on page 34.

Where's this profit improvement everybody in Washington is talking about?

This is a question being asked by many a businessman these days.

Government's official prediction has been that profits before taxes would reach a grand total of $56.5 billion this year.

With a federal tax commitment of $26.6 billion, that could leave just short of $30 billion in after-tax earnings.

Businessmen have appeared skeptical from the beginning, believing that such a rise would prove to be far too optimistic.

Here are some of the reasons why:

Newest government survey of all manufacturing corporations shows after-tax profits running at 4.8 per cent of sales. That's improvement from four per cent in 12 months.

But look closer at the details:

Firms with assets under $1 million are earning 1.3 per cent on sales volume. This compares with 0.1 per cent after-tax profit 12 months earlier.

That's improvement—but not much to crow about.

Bigger, more efficient firms do make more money.

Example:

Survey shows that manufacturing companies valued between $25 million to $50 million are earning 4.2 per cent on sales. Compares with 3.7 per cent a year ago.

Nondurable goods manufacturing companies are making five per cent compared with 4.7 per cent a year earlier.

Conclusion:

Profits will be better than last year.

But businessmen on the whole see little chance that earnings will rise as much as Washington officials have predicted.

Cost of manned space flights in the coming year will jump sky high.

Outlay—estimated at $1.2 billion—will be five times last year's expenditure.



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Federal programs appeal to only a few of the aging

HAVING long been interested in the part that the aging population is playing in our nation's economy, I wish to congratulate NATION'S BUSINESS on "Old People Will Shape U. S. Future" [May].

As an early member of the American Association for Retired Persons I believe it is steering the thinking of its members in realistic channels. It would seem that others would have the government take over the care of this large segment of the economy.

Unless a socialized state is set up in the United States, plans for social security benefits at age 60, free medical care, and low-rent housing can only appeal to a comparatively small number of persons who are unable—or maybe unwilling—to weigh properly the impact of such a plan upon the general economy which in turn would affect their children or their grandchildren.

L. D. RAMSEY
Kansas City, Mo.

Report from FBI

Many requests have come to me for reprints of my article, "Why Reds Make Friends with Businessmen," [May]. I would appreciate your permission to prepare reprints to pass along to interested individuals.

J. EDGAR HOOVER, Director
Federal Bureau of Investigation
Washington, D.C.

May we have your permission to reprint this article in the *Executive Review*, an external house organ used by several firms?

HAROLD SABES
Executive Review
Chicago, Ill.

Measuring productivity

"Washington Business Outlook" [May] says, "Look for more talk in the next few months about how rapidly U. S. workers' productivity is advancing." Just how is this worker productivity determined? If it is merely output divided by number of employes it should have some name other than "productivity."

If a manufacturer spends a lot of money to get more modern machinery and a greater output with the same or a lesser number of men, the resulting figure should not be used as any measure of the efficiency of the workmen.

C. S. REED
Vice President
Duke Power Company
Charlotte, N.C.

►*The productivity index is published by the U. S. Department of Labor. Specialists recognize its faults and a Senate committee has been holding hearings on productivity measurements.*

Profit-building idea

It was gratifying to note the comments in "Executive Trends" [May] concerning the increasing awareness of the value of defining end results for key positions in business firms.

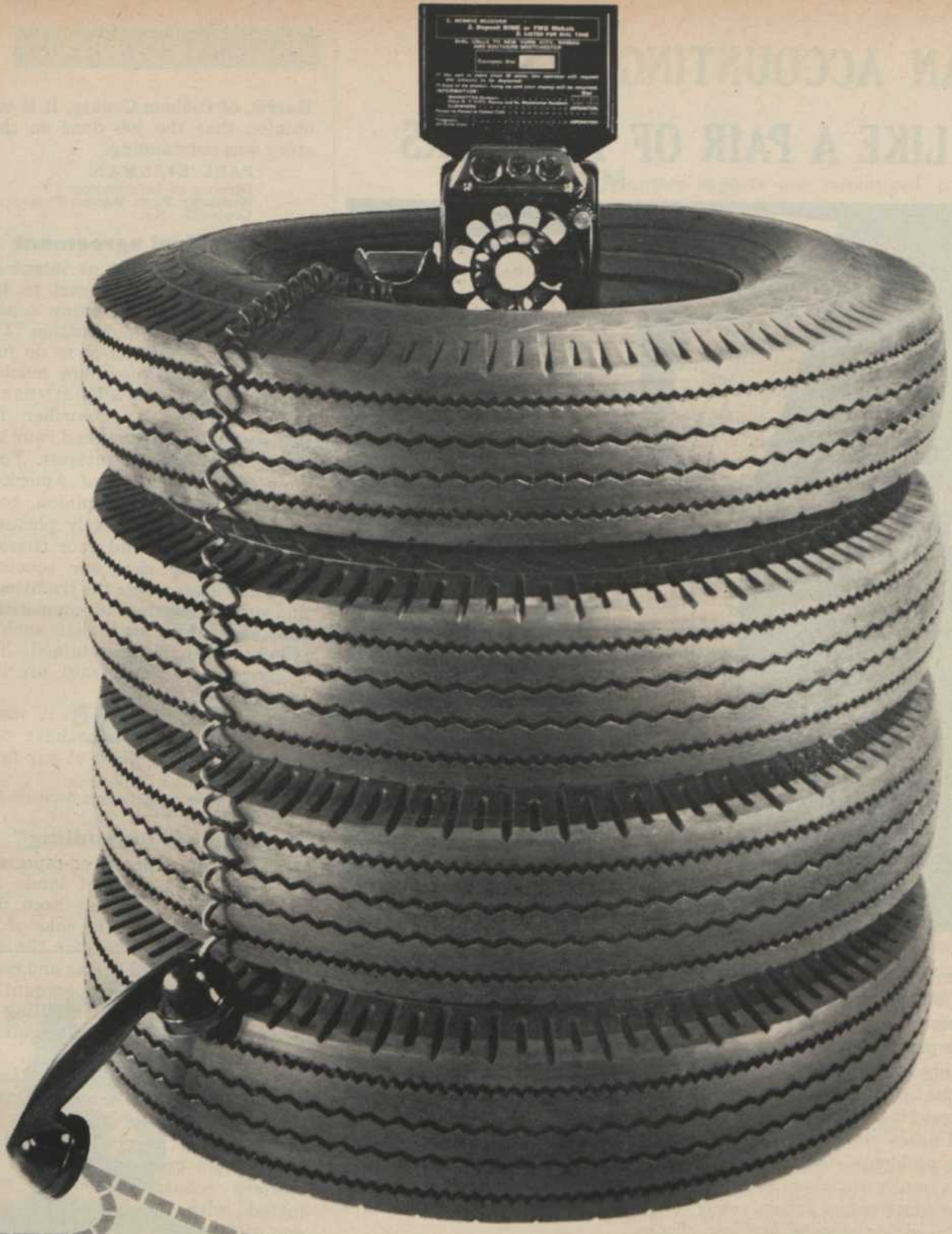
We have placed heavy emphasis on this approach for some years and consider this to be an important part of what we call the productivity climate. Many companies feel that this type of operation is too elusive and contains too many variables to yield realistic and reasonably precise contributions to profitability.

We have found that the obstacles are less than might be supposed if a clear-cut understanding of management by objective is reached by the top executive. The climate must then become pervasive and can and does result in basic attitudinal changes.

J. D. BATTEN
President
Batten & Associates, Inc.
Des Moines, Iowa

Dairyman praised

We have read with a great deal of interest and sincerely appreciate "U. S. Plans to Block Right to Produce" [April] by one of our strong Farm Bureau leaders, Ernest L.



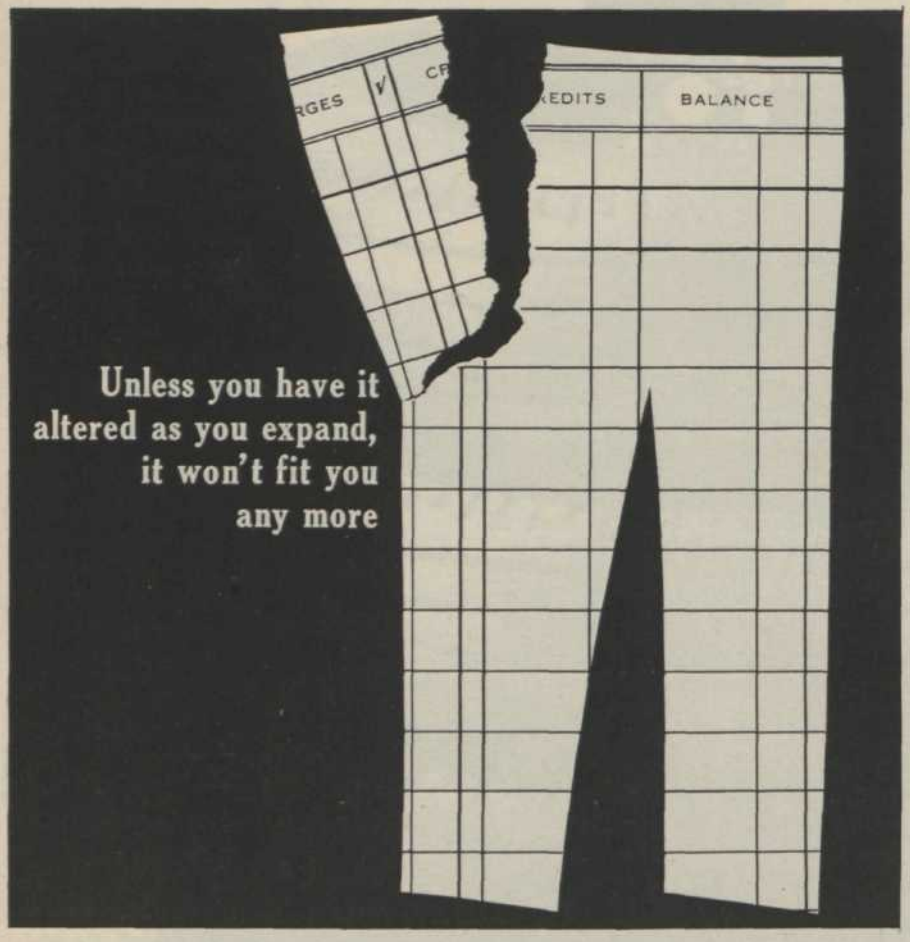
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Business opinion:

Harris, of Oldham County. It is our opinion that the job done on this story was outstanding.

PAUL EVERMAN
Director of Information
Kentucky Farm Bureau Federation
Louisville, Ky.

Philosophical agreement

Too often those of us intent on our own businesses forget to tell others how much we enjoy a particular service or publication. The purpose of this letter is to do just that—to let you know how much I appreciate NATION'S BUSINESS.

I have been a subscriber for many years, and have read your articles with extreme interest. Your view of the progress of American industry has, in my opinion, been perceptive and accurately phrased. I especially commend your consistent philosophy that our economy best flourishes under the traditional and original system of competitive free enterprise, and that such a system must be maintained. Too many people, I am afraid, are losing sight of that fact.

It is quite possible that many ideas in your magazine have contributed to the growth of our firm.

RAY GRAY, President
Ray Gray Employment Services, Inc.
San Jose, Calif.

Government "meddling"

This firm has practiced especially the law of government lands for over 40 years and has been disturbed not only for the sake of its own many clients but for the citizens of the United States and especially of California, on account of the overreaching and meddling in private business of the Agriculture and Interior Departments.

"Planners Urge Federal Land Control" [April] is correct in every detail as we know the facts. The extent of the harm that would be perpetrated upon the people of the western country cannot be estimated, with the passage of even one of many of the proposed planners' bills now before Congress, or even without their passage, under the continued aggressiveness of the Department of the Interior's plans.

H. S. GILMORE
Gilmore & Gilmore
Sacramento, Calif.

Food for thought

Your most informative and timely article, "How to Reach Your Best Markets" [February] contains a full quantity of food for thought.

WILLARD L. HULTS
Hults Servisoft, Inc.
Mountainside, N. J.

How Lincoln Life's simplified Group Insurance speeds up billing . . .



In adopting the name of Abraham Lincoln, this company assumed the responsibility of measuring up to that great name —in character, integrity and thoughtful human service.

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2. Improved employee relations result from Lincoln Life's simplified Group Insurance, also. Every pamphlet or form the employee receives is streamlined to promote better understanding. For instance, *the entire group insurance proposal* is condensed into a *single sheet* that is easy to read and understand . . . and the employee certificate and announcement pamphlet are combined into one simple, dual-purpose piece (available in all states but Massachusetts).

• **Your firm can benefit** in *other* ways, too, from Lincoln Life's simplified Group Insurance. Phone or write your nearby Lincoln Life agent to find out about them.

THE **Lincoln** NATIONAL **Life** INSURANCE COMPANY

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The U. S. Public Health Service reports that it will cost $4.6 billion in new construction alone by 1968 just to catch sewage facilities up with the nation's needs.

This expenditure adds up to health protection. It's urgently needed now by 42 million Americans in 5,200 communities across the country. This means new and expanded sewer lines, treatment plants and other facilities.

This bill is long overdue.

Find out if your city is one of the 5,200. If it is, demand action. Then demand that all your investment in sewage protection is spent wisely.

One thing that means is picking the right kind of pipe for the sewer lines: Vitrified Clay Pipe. It's chemically inert, impervious to the destructive gases that eat up substitute pipe materials and build huge repair bills.

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Executive Trends

• 30,000 managers head for school
• The case of the jittery speaker
• Too many meetings?

Thousands of American businessmen will enroll in executive development courses this summer—perhaps greater numbers than ever before.

In some instances, executives will combine their vacations with attendance at programs sponsored by universities, professional management organizations, or their own firms.

At all such summer sessions combined, according to a spokesman for the American Management Association, more than 30,000 businessmen will be enrolled. The AMA itself expects a summer enrollment of 2,500 managers, including registrations for its special workshop for company presidents at Lake Moraine, N. Y.

Item: One of the most significant trends in executive development is the growing popularity of programs abroad. One U. S. university, which has been supplying faculty members to teach overseas, reports it is getting "more bids than we can handle."

Another interesting trend is the increasing participation in overseas development programs of Americans working for U. S. companies with branch offices abroad.

• • •

Your progress in management is likely to be faster if you don't rely too heavily on one form of self-improvement.

Executive development courses, for example, are not in themselves likely to open the door to advancement. Executives interviewed for NATION'S BUSINESS (see page 38), report a growing effort to balance attendance at off-the-job courses with on-the-job training and other experiences to give managers a fully rounded set of skills.

Those surveyed named 15 activities—including teaching school—as experiences which proved helpful to them.

• • •

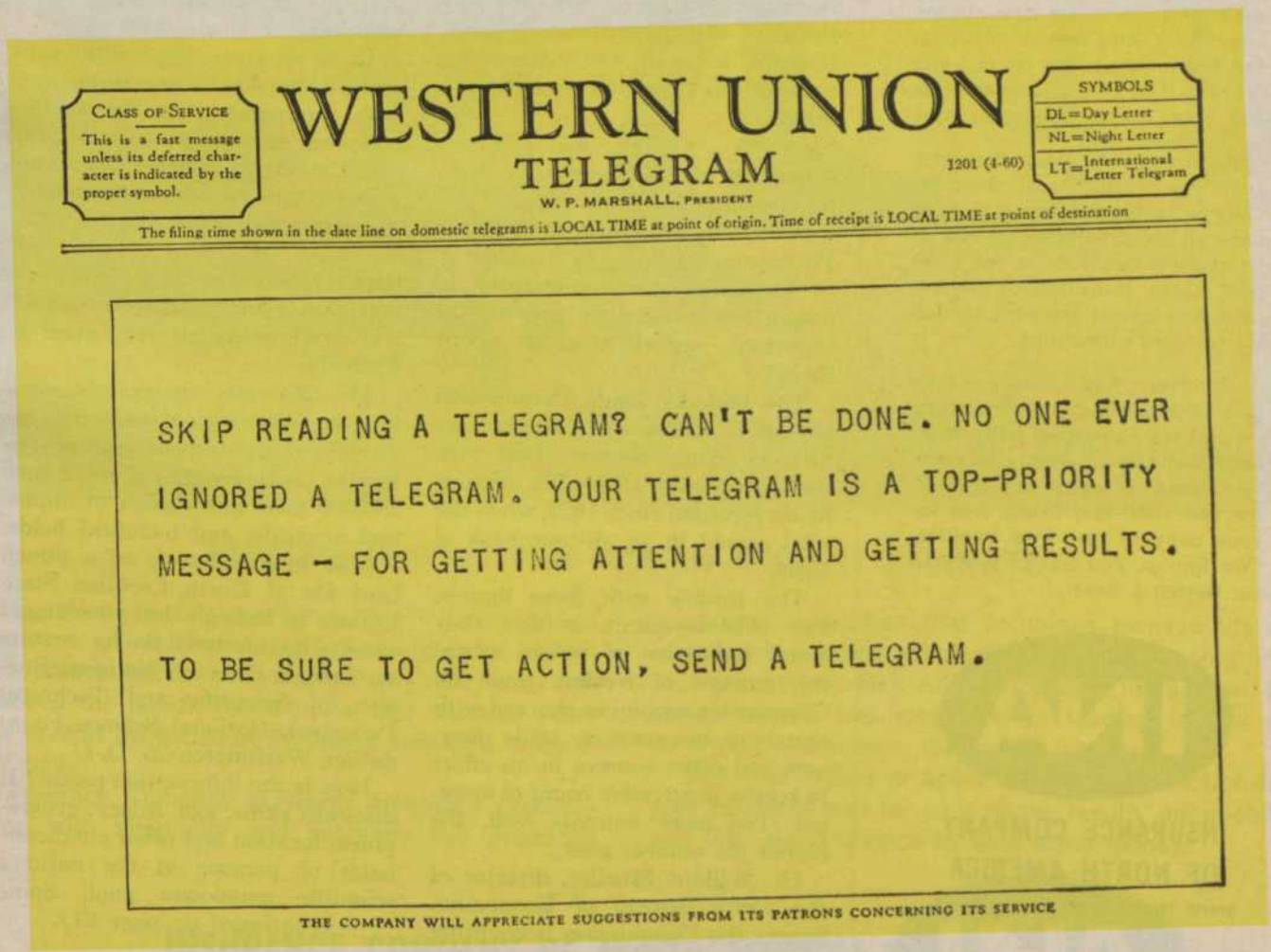
The average middle and top management executive overseas is an equal match for his counterpart in the United States.

That's the opinion of Prof. John S. Ewing, of Stanford University, who this summer will direct a three-session executive development program in Ceylon.

Professor Ewing says his experience in training foreign executives has convinced him that they can "hold their own" with American managers. "I have found that in programs where case studies are used the average foreign manager can penetrate quickly to the heart of the case," Professor Ewing declares. He says foreign executives are eager to learn more about American progress in decision theory, computer use, and marketing.

Professor Ewing has taught management subjects in Australia, New Zealand, Finland, Ceylon and Iran. At Stanford he is a professor of international trade and marketing. He says his overseas assignments have enabled him and his associates to develop case studies with a foreign flavor that are proving highly effective in preparing American

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NL = Night Letter
LT = International Letter Telegram

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Our "Tech. Rep." service is only part of the extra, free-for-nothing support you can expect from Insurance Company of North America. Your broker or agent can tell you the rest. Call him today. And for your copy of our free booklet, "We Snoop, You Save," write to our Warren J. Baker.

INA

INSURANCE COMPANY OF NORTH AMERICA

World Headquarters: Philadelphia

EXECUTIVE TRENDS

continued

businessmen for assignments outside this country.

• • •

How-not-to department: Here's a foolproof suggestion for destroying the poise of a subordinate. It's based on an actual occurrence at a recent convention.

The night before the convention opened, the vice president of one of the participating companies called one of his young aides (who was scheduled to keynote the meeting) to his hotel room. He told him: "Frank, if you don't give a magnificent speech to that bunch tomorrow you will ruin the entire conference."

This comment left the young executive in a state of jitters. He could hardly sleep. The prospect of delivering a keynote address hadn't rattled him before, but now he felt a terrifying sense of responsibility.

The next morning, before he went on the platform to speak, the young executive was overcome with nausea. He managed to make his way through his presentation. Later, however, he again was sick and for several days he felt emotionally undone.

• • •

A new law of economics appears to be operating in Washington.

Stated in paraphrase of Professor Parkinson, the law goes like this:

"Corporate mergers increase in proportion to the time government librarians spend reading about them."

The Federal Trade Commission annually tallies the number of mergers in the country. Last year the count was 1,234—the highest figure recorded since 1929, when the total soared to an all-time peak of 1,245.

The trouble with these figures, FTC officials admit, is that they aren't indicative of much, except the amount of reading done by Commission employes charged with searching newspapers, trade journals and other sources in an effort to keep a progressive count of mergers. The more journals read, the higher the number goes.

Dr. Willard Mueller, director of the FTC's Bureau of Economics, figures the Commission is counting about 10 per cent of all corporate marriages, but he wryly concedes that even this is a wild stab. (Once, while a university economist, Dr. Mueller studied the FTC's tabulation of mergers in the dairy industry over a seven-year period and found it had been understated by more than 900.)

The counting process at the Commission goes on, with the expectation that the final figure for 1962 will approximate that for 1961, indicative or not.

One thing is certain: The number of mergers of large, news-making firms is on the increase and is likely to move higher as more firms choose this route to growth. An equally sound bet, according to J. Wallace Adair, chief of the FTC's merger division, is that government investigations into merger activity also will increase.

• • •

Did you ever wonder how many hours you spend in business meetings each year?

Jack Freidin, of Freidin-Studley Associates, architects and office space planners, estimates that the average executive spends nearly 700 hours a year in meetings.

These meetings, Mr. Freidin says, usually involve five to seven men, with the result that the average company spends between $35,000 and $50,000 in salaries alone each year for time its managers spend in the conference room.

• • •

Here's a suggestion that could help you plan your company's research and development strategy more effectively:

The National Science Foundation, in Washington, has available (free of charge) reports summarizing the characteristics of more than 200,000 men and women in important scientific and technical fields.

This information is in a punch card file at North Carolina State College in Raleigh—but you can get summaries of the data by writing to: Project Director, National Register of Scientific and Technical Personnel, National Science Foundation, Washington 25, D. C.

How is the information useful? It discloses skills, age, salary, geographical location and other characteristics of persons in the nation's scientific manpower pool. Some

(continued on page 21)



GOLDEN HARVEST BY BALLANTINE BEER / INSURANCE BY NORTH AMERICA

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'62 CHEVROLET JOBMASTER TRUCKS



Series 60 cab and chassis with aluminum refrigerated van.

Chevrolet truck quality is the real key to low cost. It's as tangible as Fort Knox. It makes the trucks strong so they can work faithfully for many years at low expense, and then helps bring a higher resale price when you trade them in. Some examples of this quality:

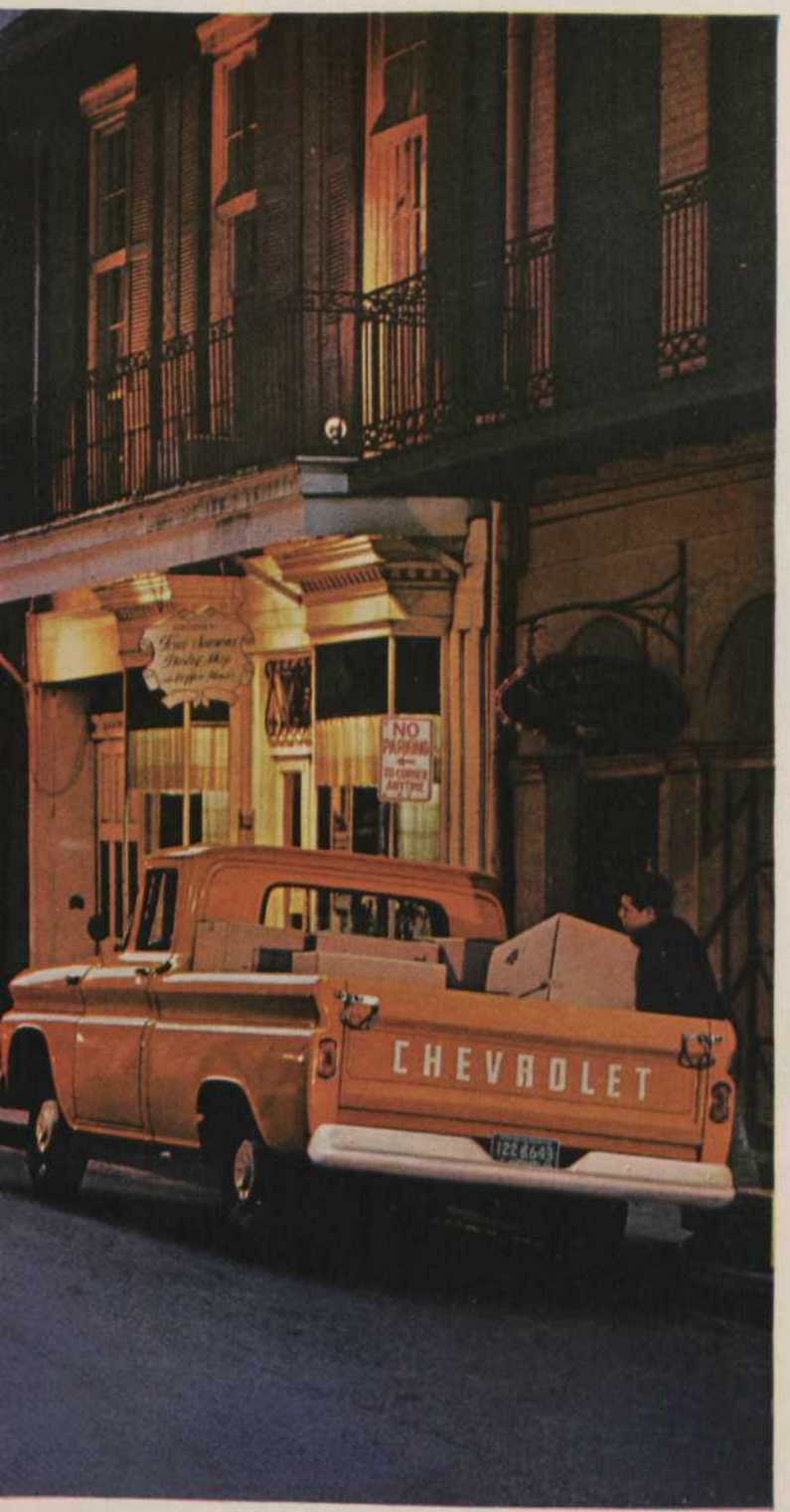
Cab roofs are made of two sheets of steel. Asphalt-impregnated felt is sandwiched in between as insulation against heat, cold and noise.

Doors are solid and strong because they have double walls. So do side panels of most pickup and panel models. Inside abuse from loads doesn't show through because the inner wall acts as a buffer. Chevrolet's tailgate also is double-walled to keep its shape and stay tight. Two steel chains support it when lowered. They are wrapped in tough rubber casing so they can't rattle or mar the paint.

Wood body floors are *select* wood, reinforced with steel skid strips.

Frames are all-welded. Steel is high-strength. Side rails are deep-drop design so cab and body floors can be lower for easier entry and loading.

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Fleetside ½-ton pickup.

The quality of Chevrolet truck engines is a matter of record; they have worked more miles than any other make.

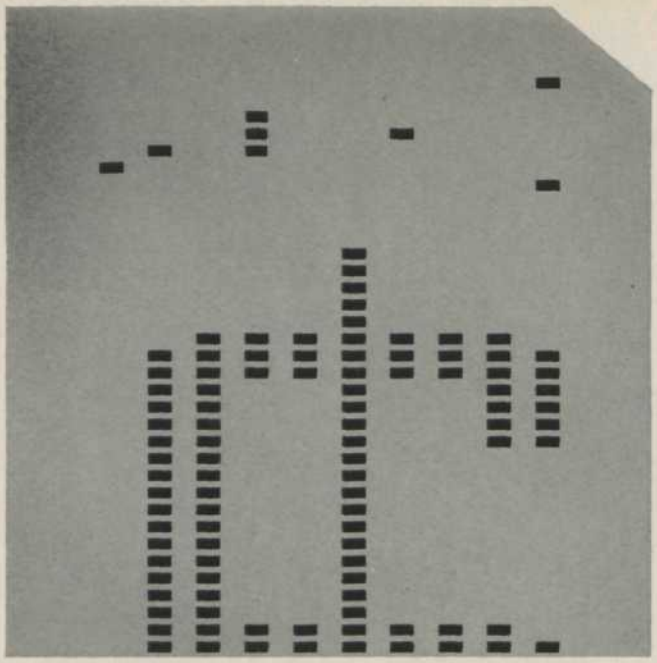
How quality pays

1. There are more 10-year-old Chevrolet trucks still working than any other make.
2. "Automotive Market Report," authoritative wholesale reference, shows that professional buyers at used-truck auctions consistently pay higher prices for used Chevrolet trucks.

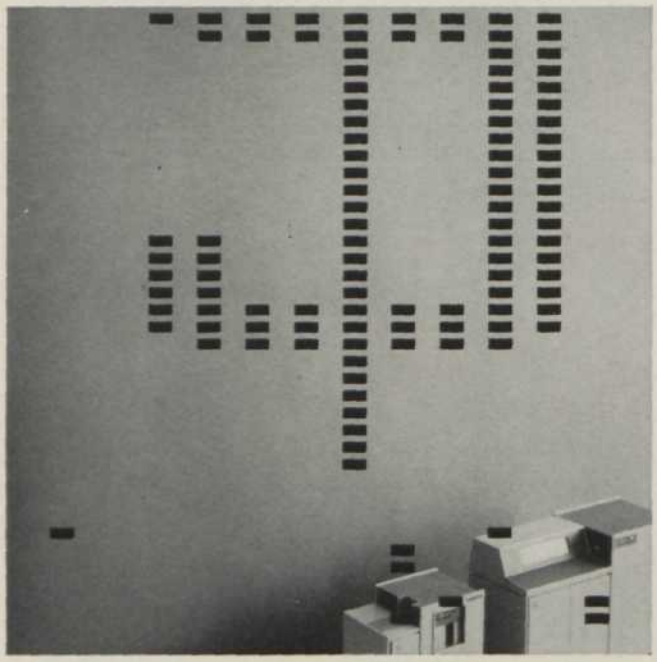
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Burroughs—TM



so many business problems end with B Burroughs

firms use the data to determine adjustments in their pay scales for R & D personnel, others find it useful in determining availability of manpower needed to carry out projected research programs.

Currently NSF is gathering information for its 1962 Register. This will cover the characteristics of an estimated 250,000 scientists. Preliminary information on this survey will be available next December. The final report on the Foundation's 1960 Register (surveys are made every two years) will be published in about two months.

• • •

The median age of the nation's scientists is holding steady at about 35.

This fact is reported by officials of the National Science Foundation.

The Foundation's latest summary shows that the average salary for full-time employed scientists is $9,000, a 14 per cent jump over the average reported in 1956-58. Other findings: Almost half of the full-time employed scientists reporting their characteristics to NSF are in private industry or self-employed, 28 per cent are working in educational institutions, and 16 per cent are on government payrolls. The foreign language proficiency most frequently reported is German, followed by French, Spanish, Russian.

Chemistry—with 53,071—leads the NSF tabulation of numbers of scientists in a given field. The biological sciences are second with a total of 27,188.

• • •

Here's a date to remember:

On Sept. 16 next year, a five-day International Management Congress will open in New York. More than 3,000 executives from some 33 nations are expected to participate. It will be the thirteenth triennial meeting of its kind sponsored by the *Comité International de l'Organisation Scientifique*, a worldwide federation of national management groups. Sessions will deal with major management problems and opportunities.

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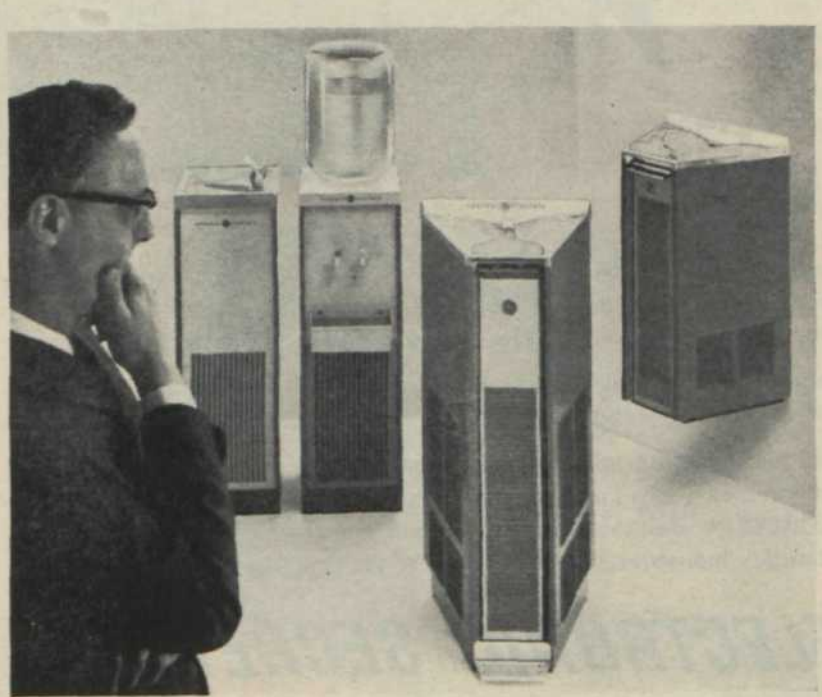
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WATER COOLERS: WHAT TO LOOK FOR

General Electric lists seven factors for you to consider now to meet your summertime water cooler needs



MAN'S NEED for water doubles, even triples during the summer. As a result, now is the time for you to check your drinking water requirements.

Fortunately, you can choose from a wide selection. The problem is to buy wisely. Here are seven factors to guide your choice:

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Water coolers vary widely in capacity. The size you should choose depends on the number of people who will use the unit, temperature of the room and the incoming water, and type of work being done. Your General Electric water cooler distributor can help you choose. He carries a complete line, including the exclusive, space-saving Trapezoid Shape coolers in both wall-hung and floor models, as well as bottle and pressure compact units.

Attractive design

The cooler's appearance should add to its surroundings. That's why General Electric's exclusive Trapezoid Shape Water Cooler is an excellent choice. Its modern, streamlined design complements your decor. The unique shape saves aisle space by inviting drinking from the side.

Long-term dependability

Your water cooler should last for many years. To make sure, weigh the manufacturer's reputation for high-quality products, and check his service facilities.

Flush-to-wall mounting

Be sure the units you buy will mount flush to the wall. This hides unsightly plumbing, saves space, makes your water coolers a more attractive addition to your business. Wall-hung models simplify floor cleaning.

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Select the accessories that will make the cooler better meet your needs. Hot water outlets, for instance, can cut coffee-break time 50% or more . . . and that saves you money.

Trade-in allowances

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GENERAL ELECTRIC

Party hopes Kennedy popularity will rewrite law of averages

BY MERRIMAN SMITH

A HARDY SUBJECT of debate between professional politicians as they sit between seasons with their derbies and cigar butts is the degree to which a highly popular officeholder can translate his captivating personality into votes for a lesser, but allied candidate.

This becomes an increasingly pointed matter as Washington looks beyond the summer to congressional and gubernatorial elections this fall.

From the red-draped tables of The Place Where Louie Dwells, a charmingly dark Washington *boite* where leading politicians are known to lurk of an evening, to the tees of Burning Tree, a fresh air camp for privileged adults, the question is:

"Can President Kennedy, at the peak of his personal popularity since his election, attract enough votes this fall for Democratic House and Senate candidates who otherwise might fall by the cruelly littered wayside of politics?"

One hears both sides of this question pursued rather vigorously these days. For one thing, it cannot be said with certainty the extent to which Mr. Kennedy will plump for particular Democrats. Some of his associates want him to stand clear of areas where a Democratic candidate seems likely to fall, aided or unaided. The theory here is that association with defeat on a state level might militate against the President in 1964.

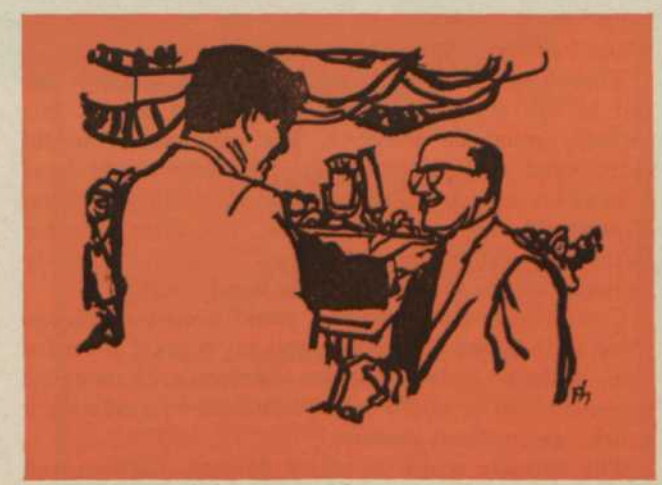
The power of a political personality is difficult to equate with votes for others, but the consequences are not always ruinous to the advocate. The late Franklin D. Roosevelt suffered one smashing defeat after another in his attempted purge of 1938, but he went on to new personal triumphs in 1940 and 1944.

In the 1946 off-year elections, the powers at the Democratic National Committee thought the then President Truman was on such shaky ground, himself, that he should make only a few highly generalized speeches and stay out of specific races with the possible exception of his home state, Missouri. Mr. Truman followed their advice, albeit a bit testily, then went on to show the same party leaders how to do the job by defeating the towering Republican favorite, Thomas E. Dewey, in 1948.

During the off-year elections of 1954 and 1958, former President Eisenhower's 1,000-watt grin and outstretched arms were not enough to prevent his party from losing congressional control.

Thus it would seem from relatively recent history that Mr. Kennedy has odds against him if he hits the road in October and tries to reverse the almost traditional process of the party in power losing congressional seats during the years between national elections.

This, at least, is the thinking of political tradition-



President's advisers consider many factors before he lends his personal prestige to a candidate's campaign

alists who have the power of history behind them—until a precedent comes along as it did in 1940 when F.D.R. confounded the experts by seeking and winning a third term. It is true that, more often than not, the party in control of the White House loses congressional strength in off-year voting.

But quite apart from the extent of his personal participation, Mr. Kennedy is determined to write a

Merriman Smith is the White House reporter for United Press International.

new law of political averages this year. His backers point out that his political stock has zoomed upward amazingly since the 1960 election in which he barely managed to defeat Richard M. Nixon. They reason that the President's stock having risen to such a degree, it would be logical to assume the likelihood of a November dividend. This still leaves the question: To whom will Mr. Kennedy want the dividend paid?

His re-election efforts thus far have been confined largely to Democrats who are so firmly situated in their home states that Presidential endorsement is pleasing, but not essential. This certainly seemed to be the case in his speaking appearances for Sens. Warren G. Magnuson of Washington, Carl A. Hayden of Arizona and George Smathers of Florida. The President also made a speaking trip in support of Richard Hughes during his successful special election campaign last year for the New Jersey governorship, but this was only after experts of the Democratic National Committee and Mr. Kennedy's own staff made several exploratory trips to New Jersey to evaluate Mr. Hughes' chances.

It would seem fair to deduce from Mr. Kennedy's past record that he will not devote much, if any, time this fall to Democrats challenging firmly entrenched Republican incumbents. Particularly if the Republicans involved have supported the Administration on such legislative programs as foreign trade.

• • •

Mr. Kennedy has less than solid support of his own party in the House and Senate. This means he must keep key Republicans in mind when mapping battle plans for so-called must legislation.

Therefore, he cannot flash around the country this fall in full cry against all Republicans per se. His targetry must be selective. For example, it would seem most unlikely that Mr. Kennedy would level a head-on attack at the Senate Republican leader, Everett M. Dirksen of Illinois; not after Senator Dirksen's performance in behalf of such Kennedy projects as the United Nations bond issue.

Conceivably the President could drop by Chicago some time before November and say a good word for Rep. Sidney Yates, Senator Dirksen's Democratic opponent, but it would have to be done in a relatively gentle, generalized manner.

The delicate scales in which Messrs. Dirksen and Yates may be balanced are but part of a complicated political picture facing the President this year. While attempting to put more Democrats in the House and Senate, the President also is involved in an almost impossible task of diplomacy—trying to convince the business community he is not antibusiness, yet pushing certain policies and legislative proposals distasteful to many business executives.

James Reston in the *New York Times* recently found similarity in the positions of F.D.R. and Mr. Kennedy at the time of their first mid-term elections.

"Then, as now," Mr. Reston wrote, "the President was trying to reach a reconciliation with the businessmen, and his failure to do so helped to poison political and commercial relations for more than a decade."

As Mr. Reston pointed out later, Mr. Roosevelt's problems were immediate; President Kennedy's economic problems lie largely in the future. Comparatively the nation is in a boom today; Mr. Roosevelt was fighting the panic of a depression, a real one.

"Roosevelt was more vindictive and impulsive than Kennedy," said Mr. Reston, "and while Kennedy is flirting with the idea of some vague kind of supervision of the price-wage and collective bargaining process, he is not thinking in terms of anything as extreme as the N.R.A."

The President may, as Mr. Reston says, be "flirting" with some idea of price-wage supervision, but Mr. Kennedy certainly has seemed allergic to supplying any public evidence to this effect.

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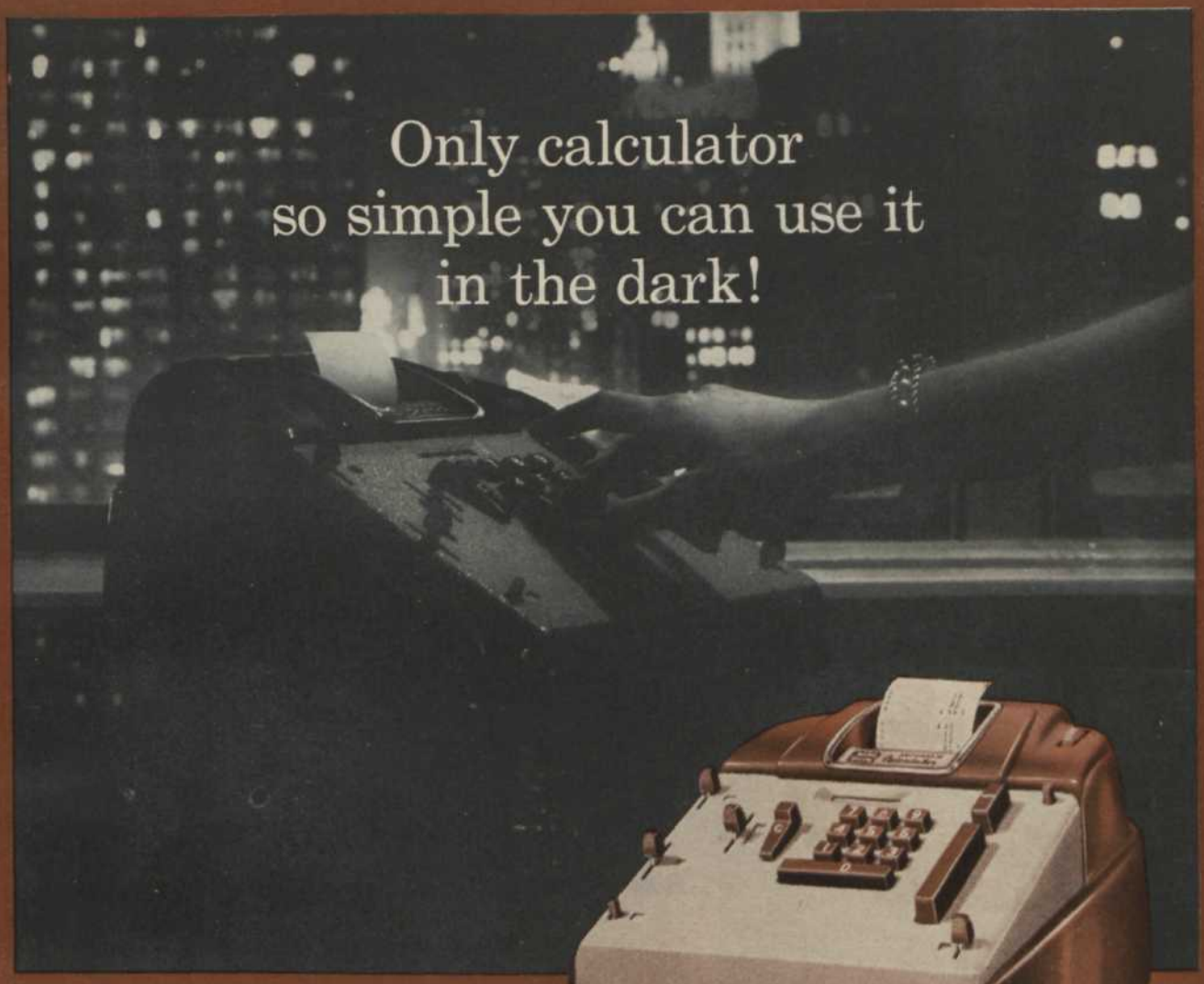
Faced with the direct question of whether wage-price controls were under consideration, the President took an approach best described as the kindly negative by expressing hope an economic ultimate of this nature would not become necessary. It might be pointed out that Presidents Truman and Eisenhower used the same sort of kindly negative during their bouts with labor and/or management, waving controls about as a shadowy club but still knowing there was little or no chance of Congress giving them this sort of power.

There may come a time when Presidents realize the futility of threatening wage-price controls, at least during peace times. It is tempting for a man in the White House to refer vaguely to such forms of economic rock-crushing. In reality, however, it would take a monumental national crisis combined with a powerful and well-disciplined majority in Congress to invoke economic controls or any sort of freeze on wages and prices.

Mr. Kennedy knows this and, in the lack of a national situation requiring such stringent action, he is not thinking in these specific terms. He does, however, as has every President since World War II, spend much time pondering the inching progress of inflation. He knows well the difficulty of continuing economic expansion without some degree of inflation. His problem is to keep the degree as slight as possible.

Mr. Kennedy also knows that to serve the best interests of most of his fellow countrymen may not be in the best interests of his own popularity. Unfortunately for the man himself, a President cannot be right and liked with any universality. Yet, if he's to be re-elected in 1964, Mr. Kennedy must maintain some sort of balance between accommodation and essentiality.

The President is a great believer in his ability to communicate swiftly with the electorate, particularly through television. Douglass Cater wrote recently in *The Reporter* that since the days of the Truman Administration, "the popularity of the President himself has not contributed to the strength of his party." Currently, Mr. Kennedy must be debating the extent to which he is to test this theory this fall.



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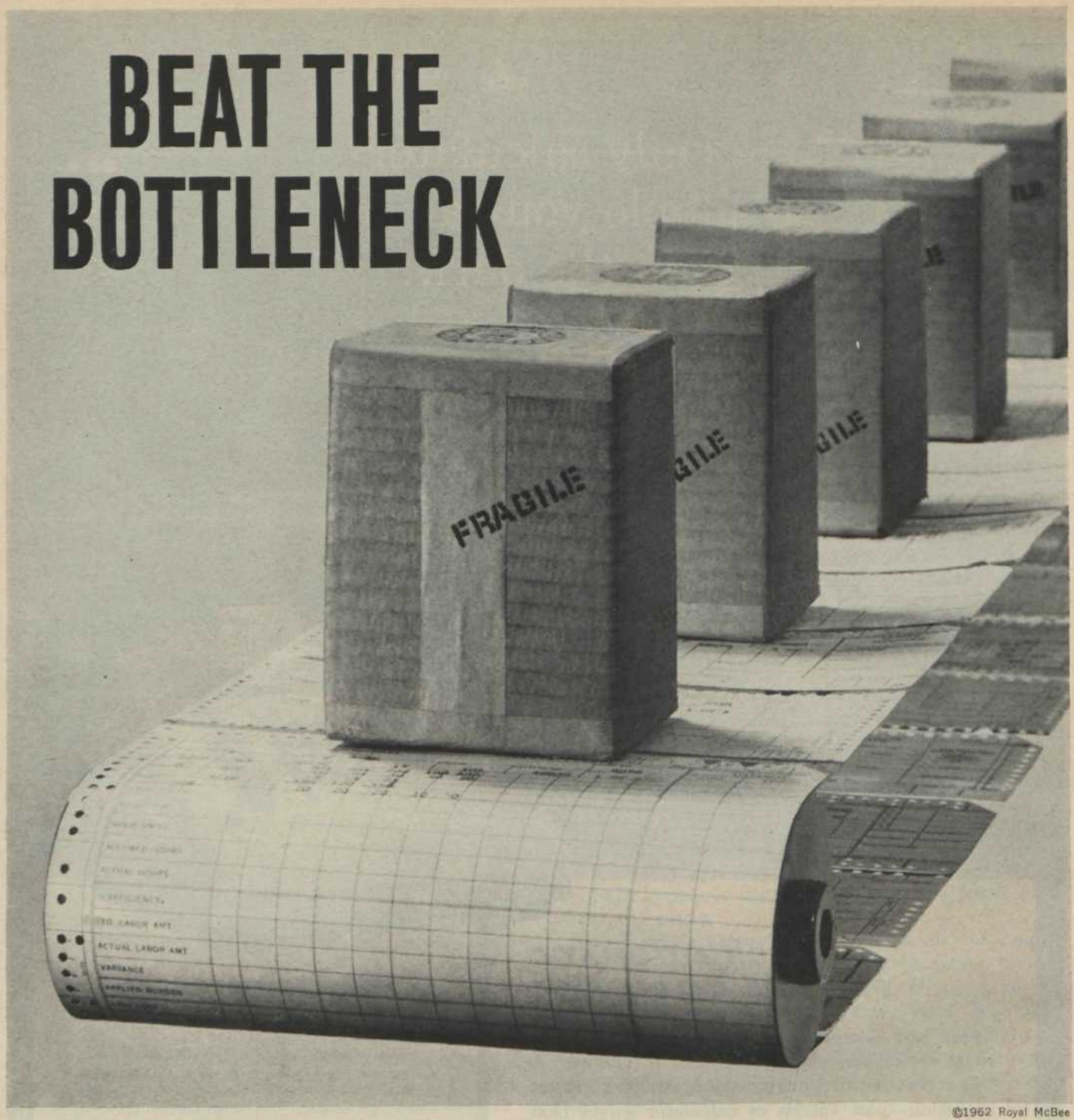
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Representative government often is undemocratic

BY FELIX MORLEY

IN HIS FAMOUS study of "Representative Government," first published in 1861, John Stuart Mill argued strongly for the exclusion of two then considerable groups from the privilege of voting. It should be denied, said this great English Liberal, to those who pay no taxes and to those on public relief rolls.

To extend the franchise to people who make no direct contribution to the upkeep of government is, in Mill's opinion, to violate "the fundamental principle" that control of expenditure must be kept in the hands of those who feel its cost. A similar limitation of citizenship, he maintained, should apply to all who accept governmental funds without rendering any service in return. "He who cannot by his labor suffice for his own support has no claim to the privilege of helping himself to the money of others."

Merely to cite this reasoning of a century ago is to emphasize how greatly political thinking has altered. Few, if any, would today assert that the relief recipient has no right to vote. And even the poll tax, which in a few States still insures that the voter is also a taxpayer, is increasingly attacked as an improper restriction.

• • •

What has happened since the days of John Stuart Mill is indeed a revolutionary change in the general attitude toward representative government. This carefully planned alternative to class rule was then a novel idea in Europe. To the liberal mind of that era it was clear that representative government would fail unless emphasis were placed on quality rather than quantity. Thus Mill argued, on the dubious assumption that college graduates are thoughtful voters, in favor of giving all such an extra ballot. So far as Oxford and Cambridge are concerned, this was the actual practice until quite recently in England.

Now, however, there as here, the expression "representative government" has been largely replaced by the vague word "democracy." It is well to realize that the change signifies the establishment of a line of thinking wholly different from that of the Founding Fathers. Today the emphasis is on the rights and not on the responsibilities of citizenship. The political objective is to get out the vote in quantitative rather than in qualitative form. The candidate with the most votes, regardless of ability or integrity, will be deemed the most representative. But, as Senator Fulbright pointed out in this year's poll-tax debate, there is absolutely no relation between the size of the vote and the quality of representation.



Justice Frankfurter warns that public confidence in the Court depends on its complete detachment from all politics

When the Constitution was drafted, by contrast, nobody suggested that New York was underrepresented because among the 39 signers Alexander Hamilton was the only one from that even then populous and leading State. His great talents more than balanced the contribution of all five delegates from little Delaware. In votes on various vital issues before the Convention, Hamilton alone decided what that of New York should be. That was undemo-

cratic, but not unrepresentative, since no State could have had a more able and fair-minded spokesman.

The almost forgotten principles on which representative government was based are recalled by the troubles already arising from the Supreme Court decision on representation in the Tennessee legislature. That six to two opinion reversed the decision of the federal district court in Nashville, which had ruled that it lacked jurisdiction, and also that the plaintiffs had not shown any injury from the alleged "debasement of their votes."

What constitutes the "debasement" of a vote was thus a major part of the issue. And the majority opinion, delivered by Mr. Justice Brennan, emphasized arithmetical equality as the imperative base. It was shown that in one Tennessee county each vote has 19 times the weight of one in another particular county. It was made clear that rural constituents have greater legislative strength than urban districts with larger population. And it was brought out that in failing to reapportion seats since 1901 the General Assembly has by inaction violated the State constitution, which specifically calls for reapportionment after every decennial census.

This situation, more or less paralleled in every State, is unquestionably undemocratic. But the real case is against the unrepresentative nature of the situation. To raise qualifications for the rural franchise might be a better solution than adding weight to votes from urban districts. For the real problem is in that rural myopia which ignores the crying needs of some large cities, causing their officials to turn to Washington for help and giving some substance to the demand for another centralized department, of Urban Affairs. There is all too little reason to think that this distorted representative pattern will be corrected merely by giving more weight to the easily regimented votes of urban groups.

• • •

As Mr. Justice Frankfurter pointed out, in his tightly reasoned dissent in the Tennessee case, a quack remedy may often be more disastrous than the ailment against which it is employed. Concretely, this decision, seeking to eliminate evils of underrepresentation, may, by overemphasis on democracy, prove disruptive of our Constitutional form of government.

The function of the Court, Justice Frankfurter reminds us, is not legislative. Until recent years it had always consistently refused to circumscribe the right of the States to administer local government as each deems best. Now it has decided "to choose . . . among competing theories of political philosophy—in order to establish an appropriate frame of government for the State of Tennessee and thereby for all the States of the Union."

In the matter of racial integration the effort to reform by judicial decree can scarcely be called successful. More than eight years since the historic decision in that case, progress in reordering local custom is very slight over a large area. In the present issue of legislative reapportionment the change demanded may be even more difficult to achieve, since the issue here is not sectional but national. Representation in Minnesota, Justice Frankfurter notes, is as undemocratic as it is in Georgia. No State, in his words, has ever had "a standard by which the place of equality as a factor in apportionment can be measured."

Moreover, the federal government itself is organized on a basis at variance with the Supreme Court's decision in the Tennessee case. Those who brought this suit claimed deprivation of "the equal protection of the laws," in violation of the Fourteenth Amendment, because in one part of the State a vote counts less than in another. But similar "invidious discrimination" is found in the voting for United States senators. A vote for a senator in Nevada is worth some 55 times as much as a vote for a senator in New York. Among many other examples of "invidious discrimination" is the fact that some States levy income taxes on their residents, while others do not.

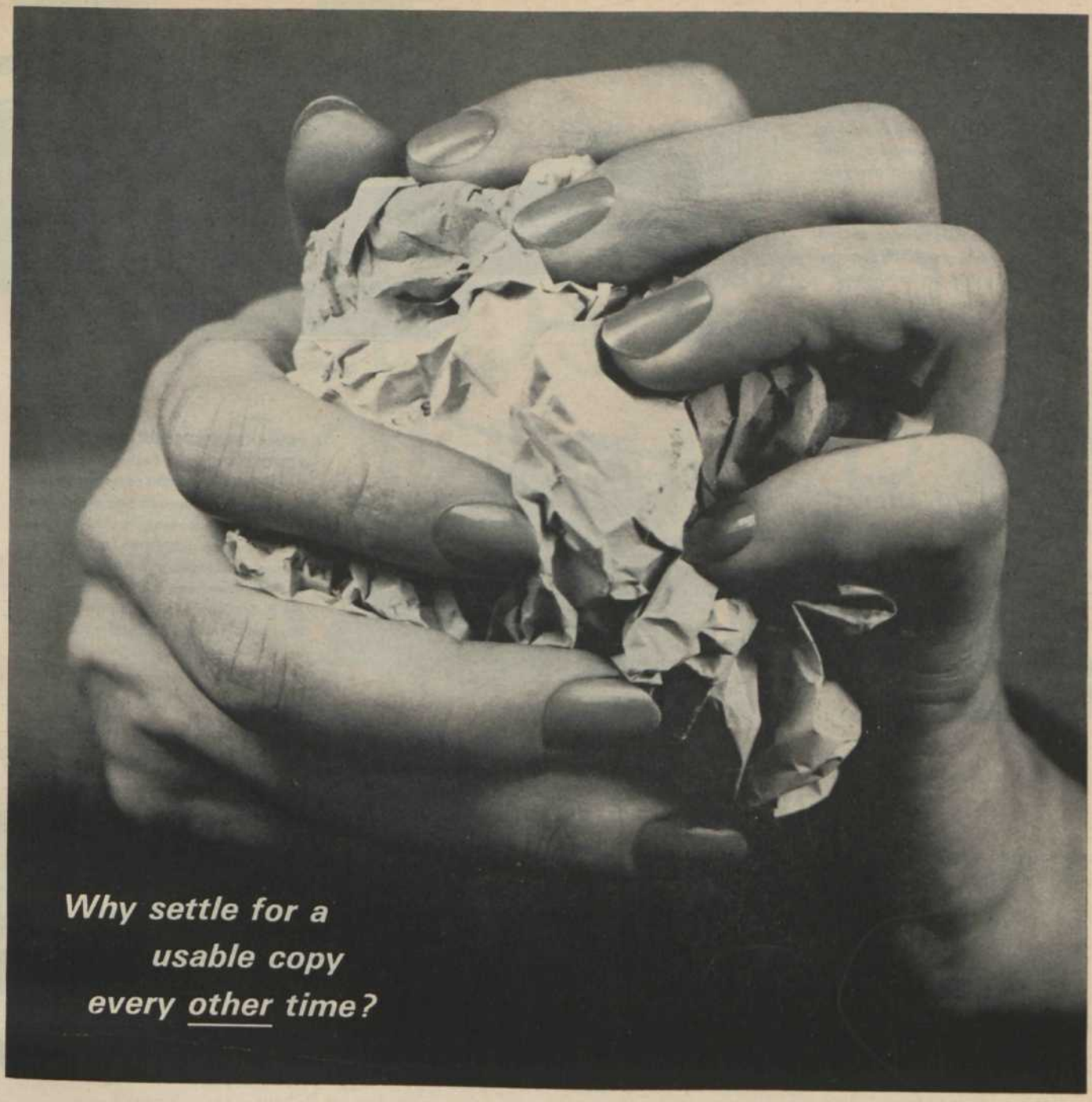
Representative government, in short, is not necessarily democratic. In the United States, indeed, it was in some respects deliberately designed to be undemocratic. Senators are supposed to represent their States as semisovereign units and the principle in their election is *federal*. Inevitably, the democratic and federal principles are at variance. The latter maintain that a State has certain rights which cannot be infringed by the central government no matter what the sentiment of the nation as a whole. Indeed, the Tenth Amendment says this flatly.

• • •

At least since the days of Chief Justice Marshall the Supreme Court has in fact been revising the Constitution by interpretation, and of course cannot avoid so doing. But, as Justice Frankfurter emphasizes in the Tennessee case, the revisionist process has lately been speeded up to the point where it threatens destruction of our federal form of government. While done in the name of democracy the irony is that the procedure is wholly undemocratic. Neither in the school case, nor in the current issue of legislative apportionment, has Congress acted to give the appointed Court a democratic sanction for its reformist zeal.

The American people have deep respect for the Supreme Court and it is essential to our national stability that this be maintained. One of the major crises in our history, presaging the Civil War, was heralded when President Andrew Jackson exclaimed contemptuously: "Chief Justice Marshall has made his decision. Now let him enforce it!"

That sorry episode comes to mind in reading Justice Frankfurter's current warning: "The Court's authority—possessed neither of the purse nor the sword—ultimately rests on sustained public confidence in its moral sanction. Such feeling must be nourished by the Court's complete detachment, in fact and in appearance, from political entanglements and by abstention from injecting itself into the clash of political forces in political settlements."



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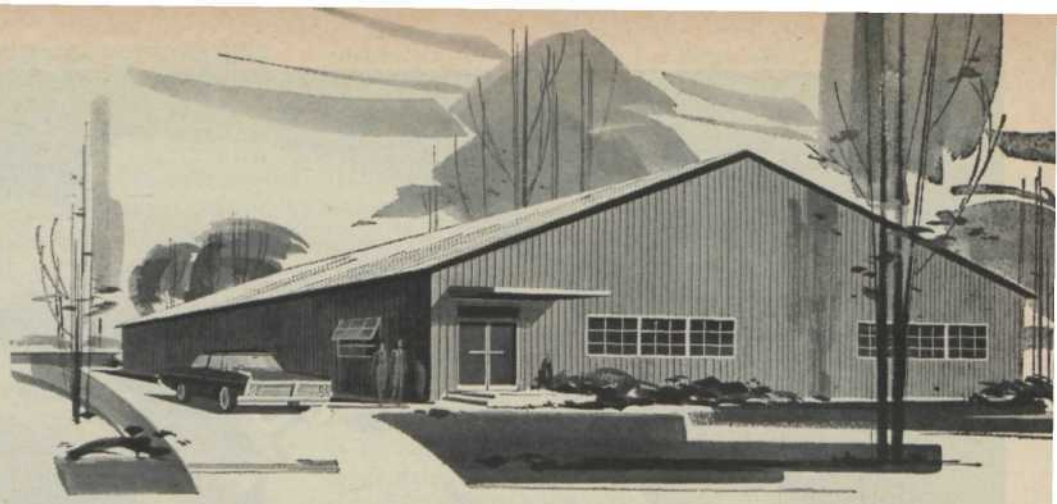
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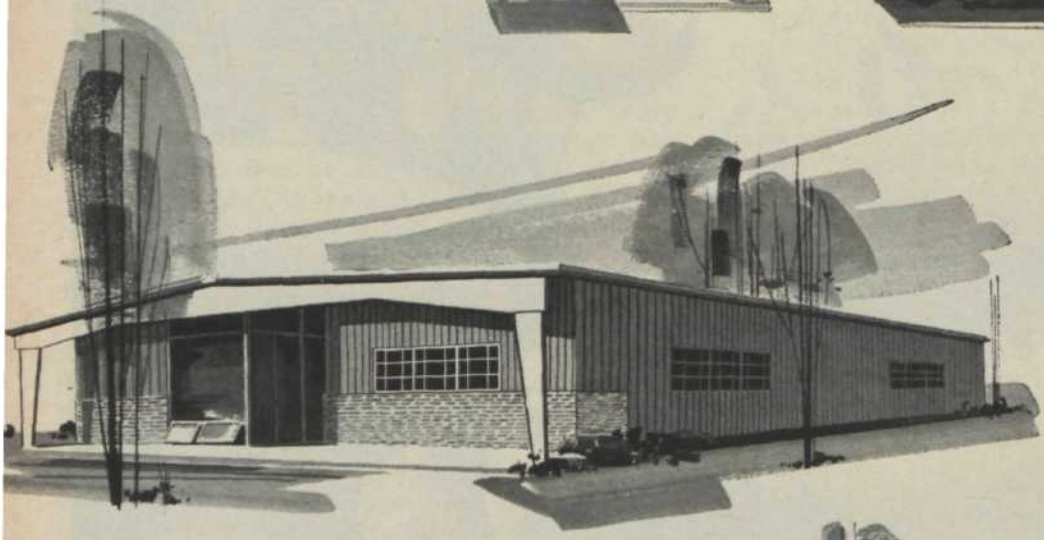
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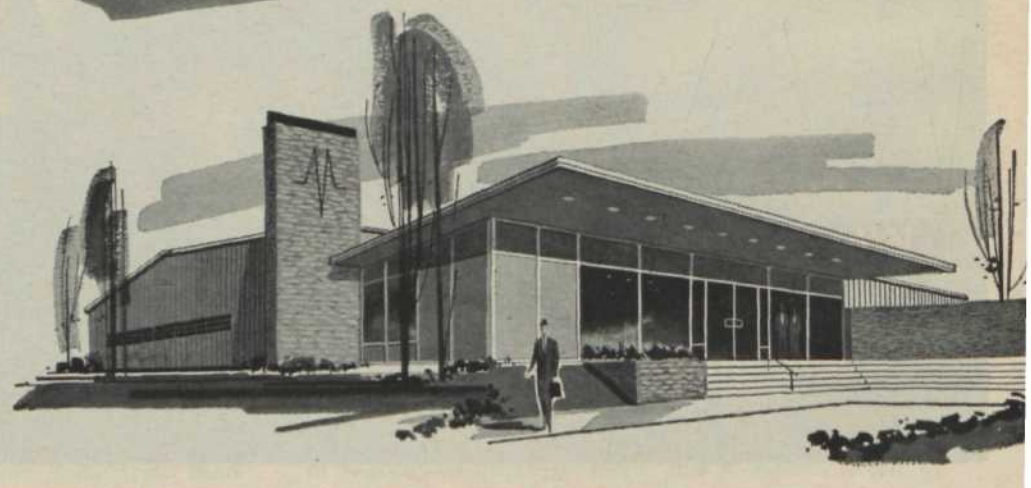
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NEEDS FOR COLD WAR VICTORY

U. S. must make some changes to maintain economic advantage

CAN THE UNITED STATES outlast Russia in the cold war?

Authorities interviewed by NATION'S BUSINESS agree that the United States has the edge in many ways—the degree of industrialization, agricultural abundance, skilled manpower, natural resources, sophisticated technology.

America, however, will remain strong enough to outstrip the Soviets only as long as we maintain a sound economy. Some government and economic leaders warn that trends which could weaken us must be corrected for the long haul.

President Kennedy has noted that the cold war will inevitably last many years.

"Peace and freedom do not come cheap," he said, "and we are destined, all of us, to live out most if not all our lives in uncertainty and challenge and peril.

"The challenge now is: Are we willing to stand the cost? Are

we willing to carry the burdens through the next 10 or 15 or 20 years? I believe we are."

The Administration's long-range outlook is that, under the canopy of the nuclear deterrent, we can subvert the communist world by showing that the free world's system works better. The hope is that a combination of our military and economic strength and the communists' economic troubles can eventually cause Russia to relax international pressures.



Priority in U.S.S.R. allocated to heavy industry and military

Leon Herman, senior specialist on Soviet economics with the Library of Congress, points out that, while our economic capacity is by no means fully extended, the Soviet Union is forcing resources, industry and labor to the maximum. The Russian economy is racked with inefficiency and the arms race is proving increasingly onerous to the Russians. (See "Economic Weakness Slows Kremlin Plans," March NATION'S BUSINESS.)

While the Soviets seem to have had an annual growth rate of six to 6.5 per cent since 1953, they have had and will continue to have many problems. The principal weakness is agriculture. This not only impedes over-all economic growth, but restricts Russian aid to neutrals, underdeveloped countries and Red China.

Dr. Abram Bergson of Harvard's Russian Research Center predicts there will be modest agricultural gains in the next few years, but nothing spectacular. He says that some of the glitter came off the economic package the Soviets were trying to sell abroad when agriculture went into a new slump three years ago.

Where Soviet lags

To belittle Russian achievements in industry would be to deceive ourselves, but here are some facts the authorities point out:

Soviet methods of organization, Mr. Herman observes, create enormous waste. Priority lists and shortages are all-pervasive; the gray market is rampant.

Soviet development has been narrowly concentrated on industrial power, especially heavy industry.

Its bloc produces far less than the free world—a total output of about $400 billion versus $1 trillion to $1.1 trillion in 1960.

Total U. S. production in 1961 was valued at $521 billion com-

pared with about $240 billion for the Soviet Union. To reduce this gap significantly, Assistant Secretary of State for Economic Affairs Philip H. Trezise points out, the Soviet economy would have to expand far more rapidly than that of the U. S.

Dr. Bergson describes conditions in Russia as in a state of flux. He finds that already there has been a drift away from Marxism, growing contact with the West, and greater interest in Western economic thought.

What might happen when new faces—the growing managerial middle class, a bourgeoisie with conservative interests—come to top power?

Dr. Joseph S. Berliner of Harvard's Russian Research Center believes they could be an influence for stability.

However, he cautions that there will be cultural lags between the present and future leaders. Significant changes will come slowly and almost certainly not until after the political demise of Khrushchev and his contemporaries.

While the Soviet economy has shown high rates of growth, its people have not received commensurate consumer benefits. The new elite wants material rewards. They are disappointed with the availability and quality of consumer goods.

The consensus of authorities interviewed by NATION'S BUSINESS is that there is little hope of Khrushchev ordering significant disarmament because of economic pressures. Despite his promises to boost consumer production, it is doubtful that he will increase goods and services for the people at the expense of the arms buildup. The appreciable increase in the Soviet Union's 1961 military budget further checked consumer production.

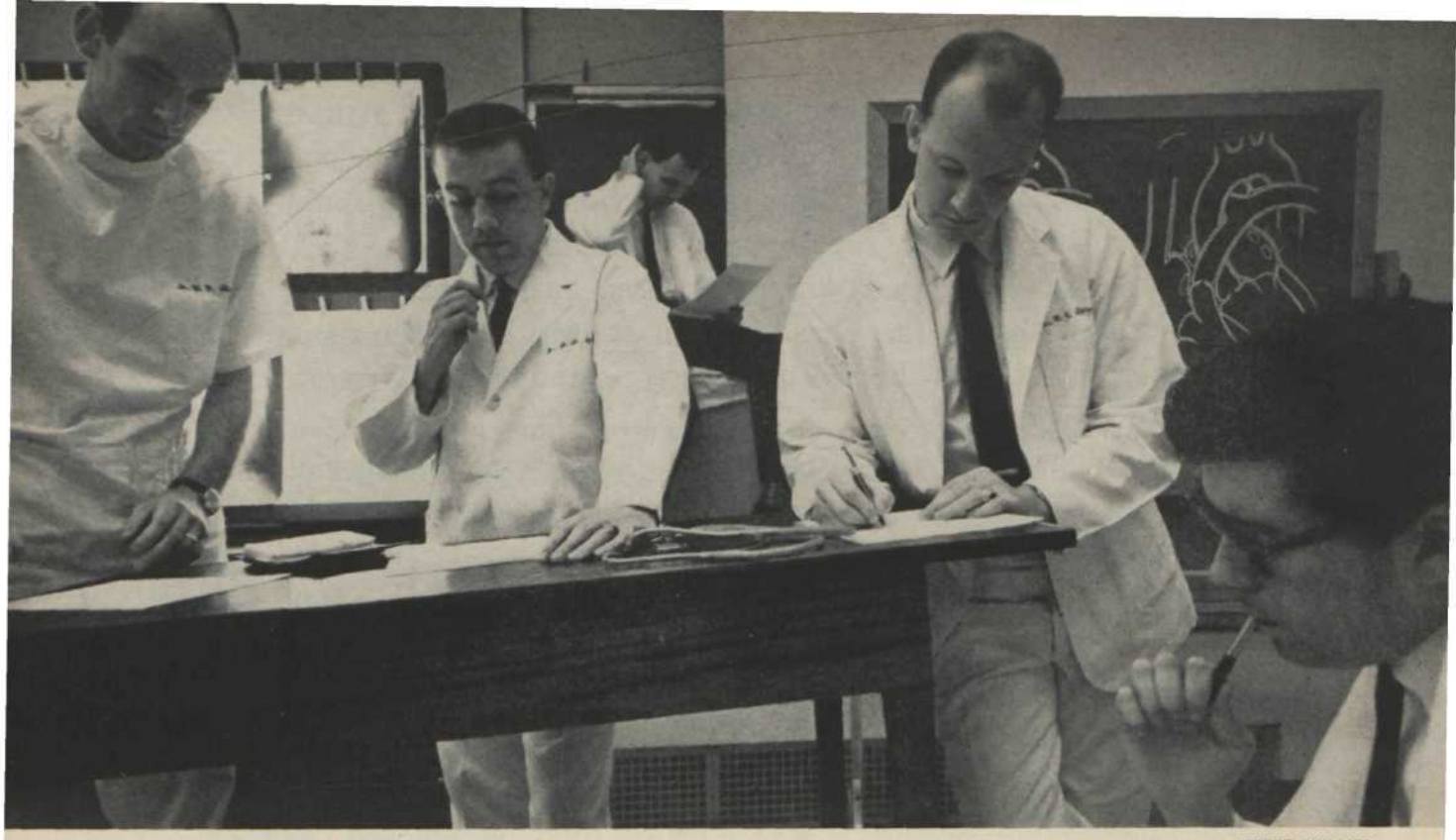
"For the future," says Mr. Trezise, "it seems that our economy could probably without any unusual stimulus average a rate of expansion of 4.5 per cent or so.

"The Soviet Union in 1961 seems to have fallen below that level, down to about four per cent, primarily because of increases in the military budget and because of mistakes in planning and management on the part of the cumbersome Soviet bureaucratic system.



Diversification plus tax cuts will enhance U.S. capability

"We should count, to be on the cautious side, on the Soviets doing somewhat better than that in most years in the future. A six per cent average annual rate of growth might be the one likely for some years to come. If *(continued on page 84)*



ROBERT PHILLIPS

Exclusive nationwide survey shows

FUTURE DOCTORS OPPOSE FEDERAL MEDICINE

GREATER federal activity in health care would cause many young Americans to abandon the study of medicine. Others would leave the United States after graduation to practice in countries where the physician has more freedom.

These are key findings of a NATION'S BUSINESS survey of students in 17 public and private medical schools throughout America.

The poll reveals deep-running, articulate concern among medical students over the direction their profession seems likely to take if the federal government gets an increasing voice in it.

All but a small number of the students interviewed feel that more government interference would drag down the quality of treatment available to the public, impede medical research, reduce incentives for top performance by doctors and discourage many bright young people from entering the profession.

In a typical comment, Owen B. Tabor, 24-year-old fourth year student at the Duke University School of Medicine, put it this way:

"The United States is not at present producing enough MD's to keep up with the growth in population, and nationalization would do little to encourage young men to go into the medical profession."

Interviewers talked to students on campuses in big-city medical centers, in college towns, at state schools and in schools operated by churches or other private groups.

From these contacts emerge the following conclusions:

▶ Medical students overwhelmingly oppose propos-

als for providing medical care for older citizens under the social security system. The King-Anderson bill, now before Congress, would institute such a program. It has the support of the Kennedy Administration.

► Students, by a margin of more than five to one, say they would be less enthusiastic about entering the medical profession if health services were eventually nationalized as they are now in Great Britain.

► A majority of the students favor private rather than federal funds for assistance in financing medical education. Half of those who say they would accept federal help insist it would have to come without strings attached. Some of these say they fear federal control or dictation would inevitably follow acceptance of money from Washington.

Students surveyed were selected on the basis of opinion sampling. Their 17 schools account for about 30 per cent of total U. S. enrollment in medical education.

Each student was asked:

1. What is your opinion of proposed legislation calling for federal medical care for older citizens under social security?
2. If the medical profession were nationalized, as it is now in Great Britain, would you be more, or less, eager to enter a medical career?
3. Do you think governmental or private means should be employed in any program for helping students finance their medical education?

Here's an evaluation of the responses:

Stand on King-Anderson

Seventy per cent of the students opposed use of social security to provide health services to persons 65 and older, while 30 per cent approved. Among the latter, almost half qualified their answer with statements indicating their concern about the possible loss of freedom to control their own practice. Typical of these was a 23-year-old student at the University of Illinois College of Medicine, who said:

"I think we have no other alternative—private enterprise hasn't provided for these people. Many private companies cancel health insurance on people when they retire. I fear federal control, but I doubt that we will have the federal control that people think we will have."

[More and more health insurance is being made available for continuation upon retirement.]

Comments opposing the scheme were often pointed.

"I think the proposed legislation will tend to lower the quality of medical care, and it will overtax the social security budget," asserted Jim Baltzell, second-year student at Northwestern University's School of Medicine. "The younger people will be working and paying into social security for 30 years while the older people work and pay for five years. The budget is planned for future income of younger people; consequently, there will be a great deficit, leaving social security always behind."

Charles Arkin, 23-year-old second quarter medical student at the University of Tennessee College of Medicine, said, "I believe this follows in the trend of too much government control over everything . . . I am in favor of private agencies handling this."

At Durham, N. C., fourth-year student Richard S. Kramer of Duke University told an interviewer: "It (King-Anderson) will, in subtle fashion, promote the abdication of individual responsibility—which

"I do not want to become a civil servant and surrender my independence."

—Suzanne Oparil, Columbia University



LOCKWOOD

"I am categorically against federal medical care under social security."

—William K. Furst, Georgetown University



PHILLIPS

logically falls upon the patient and his family—to use foresight in preparing for the possibility of protracted illness in later years. By facilitating removal of the elderly, chronically debilitated patient from the immediate family environment, where routine care can be offered out of love and concern, to the relatively sterile hospital environment, such a program fails to recognize the most profound needs of old people."

Twenty-four-year-old Robert J. Stanley, of St. Louis University's School of Medicine, declared that

> "I don't think (proposed federal health care) is workable."
> —Gene Hollingsworth, University of Illinois



LIEBERMAN

> "I don't think such aid is beyond the realm of government."
> —Robert A. Elias, University of California



ANTHONY

"privately owned insurance now in existence, as well as those programs planned, could adequately cover that portion of the population under consideration. Designating more power to the federal government, in my mind, brings the country close to the welfare state, which seems to be the trend."

Among students supporting the federal approach were a number at the Columbia University and New York University medical schools in New York. One of these, a 23-year-old female student at NYU, told a reporter: "I am in favor of the Administration's program but at the same time I am also in favor of more comprehensive legislation, that is, more coverage for more people. We must not forget the people who are not covered by social security."

Robert A. Elias, 23, a student at the University of California School of Medicine in San Francisco, said, "I think it's necessary and should be under social security. It's the only way to do it. Older people need this help and their families should be protected. I don't think it's fair that children of the aged should be put in the poorhouse because of something beyond their control."

John Lyden, a 22-year-old first year student at Columbia University College of Physicians and Surgeons, commented, "I oppose extension of medical care for the aged under the social security plan, for the government would eventually expand its program to such an extent that it would control all medicine. Private insurance companies should be expanded and allowed to carry the load."

At five of the universities where interviews were conducted students polled were unanimous in their opposition to the proposed social security health care plan. At Georgetown University (Washington, D.C.), third-year student Donald F. Sprafke said: "I feel that due to the increased expense of hospitalization and medical care, there is a need for some type of aid both to older citizens and the chronically ill. The answer, however, is not federal aid through social security. This seems to me to be just another example of unnecessary federal intervention and control. The Kerr-Mills bill is a much more workable and realistic mode of approach to the problem."

The Kerr-Mills bill, passed by Congress in 1960, provides federal grants to help states set up medical assistance programs for needy aged.

If nationalization comes

Asked if they would be more, or less, enthusiastic about a medical career if U. S. medicine were eventually nationalized, 84 per cent of the students said "less."

"The prospect of having to practice under nationalized medicine would probably drive me to another profession, or perhaps to remain totally in academic medicine," answered Angus M. McBryde, Jr., a fourth year student at Duke.

A fellow student, William S. Warden, 24, told an interviewer: "If the system of socialized medicine in Great Britain were introduced here, I would be reluctant to enter a medical career."

"I would not want to become a civil servant and surrender my independ- *(continued on page 98)*

NEW INJUNCTIONS WOULD CANCEL BASIC RIGHTS

Proposal to give Federal Trade Commission unique authority raises important questions

AN UNPRECEDENTED POWER over business is proposed as a new weapon for the Federal Trade Commission.

Several bills pending in both the House and Senate would permit the Commission, when it issues a complaint charging a company with an unfair competitive practice, also to issue a temporary cease and desist order. This would stop the practice until formal FTC proceedings could determine whether the disputed act was actually illegal.

Those backing the legislation argue that the temporary injunctions are necessary to protect the public interest and prevent irreparable harm. President Kennedy endorsed the proposal in his message on consumers.

Under present law a company against which the FTC issues a complaint may continue the disputed practice until the case is finally won or lost. This may take years. During this period other businesses may be so injured that relief, when it finally comes, may be too late to help.

Opponents urge Congress, before passing this law, to consider such questions as these:

► Is it proper that the FTC be the sole judge of whether the facts warrant a temporary cease and desist order?

► Would the legislation, if enacted, enable FTC to punish a company more on the basis of suspicion than of proof?

► How would companies temporarily restrained from a competitive practice that is subsequently judged lawful be compensated for the injury caused by the injunction?

► Would this authority stimulate or obstruct completion of FTC cases?

► Is there any justification, under the American judicial tradition, for punishing a person or company before guilt has been established by the courts?

Propriety

Congress has never given an administrative agency the power to issue a temporary injunction or any other order not subject to judicial review.

Several federal administrative agencies have statutory duties and powers involving temporary injunctions but in each case the agency must apply to a federal district court for the injunction. This is true even with respect to foods and drugs which affect public health.

As one Court of Appeals has said, a preliminary injunction is "an exercise of a far-reaching power, never to be indulged in except in a case clearly demanding it."

Proof

In a recent case the Court of Appeals said of the FTC: "The Commission wears all the hats involved in proceedings instituted under its authority. It is, at once, the accuser, the prosecutor, the judge, and the jury."

Even under the best circumstances, this is a dangerous situation. The checks and balances so noticeable in Justice Department cases, in which career attorneys, responsible to politically appointed superiors, appear before independent and disinterested federal judges, are replaced in FTC by a monolithic point of view.

Opponents point out that giving such an agency the further power to issue temporary injunctions at will is quite different from giving it the right to seek injunctions in federal court. Such power in the hands of dedicated persons, even those dedicated to worthy ends, constitutes a serious threat to the democratic rule of law.

Improper restraint

Both supporters and opponents of the bill agree that a temporary injunction could inflict unlimited damage on the defendant, even though the enjoined act were later proved lawful.

Democratic Rep. James Roosevelt of California, a supporter of the legislation, has commented:

"I have come to the conclusion that the effect on the defendant should be mentioned as criteria because, by all honesty, there is an element of danger unless that is done and you might do irreparable harm also to the defendant."

The proposed act makes two gestures in this direction:

First, the defendant has the right to appear before the Commission and show cause why the temporary order should not be entered. The bill, however, does not say how he may do this, whether he may call witnesses, whether it will be enough to show that there is no precedent

(continued on page 68)

SURVEY SHOWS HOW TO SUCCEED

Executives emphasize need for many types of experience

ENTHUSIASM for executive development programs is now giving way to widespread disillusionment.

There is, as Willard E. Bennett, assistant to the president of Cities Service Corporation, puts it, "a general dissatisfaction in higher management quarters with the results which have been achieved by the substantial amount of money and effort that has been plowed into developmental activities."

A special survey of more than 100 high-ranking executives conducted for NATION'S BUSINESS indicates that much of this frustration can be traced to a mistaken quest for a single sure-fire technique. For example, one company may put all its eggs in the job-rotation basket, while another may shoot its entire investment on university courses. One may attach supreme value to formal in-plant training while another holds that on-the-job coaching is the only kind of development program that's worth while.

But when executives were asked in the survey to identify the developmental experiences which were most helpful to them, they scattered their votes among 15 different activities. These ranged from such obvious ones as formal management courses to such unexpected ones as teaching school.

The significant conclusion which stands out from the survey is that different men respond to different experiences, and there is no single ideal method of preparing a man for the vast responsibilities of a top executive post.

Other management researchers have reached the same conclusion. There is a growing disposition among the leading authorities in the field to abandon the old argument about which method of developing managers is best. They have concluded that balance is the key to success in executive development.

Since World War II, business organizations have poured millions of dollars into a vast variety of developmental activities—so many that the National Industrial Conference Board concluded after a survey that "no two companies approach executive training or conduct their programs in the same way."

But the variety has existed from one company to another, not within a given organization. Studies by the American Management Association and other groups show that each company has tended to concentrate on one or two pet methods of executive training almost to the exclusion of all others.

Now there is a growing recognition that each of the principal methods has its uses—and its limitations—and that the most effective approach is to combine them in a balanced program.

This balanced program should include at least four broad types of activity:

- On-the-job training.
- Job rotation.
- In-plant courses.
- University courses.

The precise nature of the mixture—the emphasis given to each element—will, of course, vary from one company to another. Each activity has its own special purpose, which no other can serve as well. Conversely, each has limitations, which preclude it from being a cure-all. The goal is to expose each manager to the right kind of experience at the right point in his career, so that the activities are mutually reinforcing phases of a lifelong process of growth.

On-the-job training

Men learn by doing, and a large part of any manager's training is necessarily received on the job. In the past, some companies have considered on-the-job training so far superior to any other type that they have relied upon it almost exclusively.

They have assumed that each senior executive would serve as a coach and counselor to his subordinates—correcting their mistakes, appraising their potential, guiding their development, and imparting

to them his own seasoned insights into the art of management.

It's a lovely theory, and in some cases, it works. But any company which puts its whole faith in this approach is overlooking the hard fact that men can learn bad habits, as well as good, on the job. Not every senior manager is a paragon of wisdom, and sole reliance on coaching may pass along to a new generation of managers not merely the skills but also the timidities, prejudices, provincialities and other shortcomings of their predecessors.

It would be equally fallacious, however, to go to the other extreme and discount the importance of on-the-job training. That it has an indispensable place in any development program is emphasized by the results of the NATION'S BUSINESS survey.

Nearly one fourth of the executives listed as a major influence on their success "working for a superior who insisted on high-quality performance." This was one of the largest concentrations of votes. It contrasts sharply with an almost negligible vote for the type of experience defined on the questionnaire as "carefully guided on-the-job development."

The clear implication is that men who have gained the upper rungs of the executive ladder attach little value to such formal coaching or self-conscious guidance as they may have received from their former superiors. But they do acknowledge a heavy debt to tough bosses who gave them responsibility and demanded superior performance.

This is the kind of on-the-job training that pays dividends. It also happens to be the kind which any good manager can give his subordinates without getting bogged down in a lot of formal evaluation and counseling procedures which may distract both of them from their jobs.

Rotation

That managers need broadening as they move upward is one of the hoariest clichés of executive development. But, as Prof. Kenneth R. Andrews of the Harvard Business School observes, it is no accident that this well worn word pops up whenever managers discuss what they feel they need.

It is characteristic of rising managers, he says, that "their careers have coursed through specialized activity, particularly if they are technical men. They have been restricted functionally by being confined to one kind of work in order to become expert in it. They have been restricted organizationally; that is, departmentalization has prevented them from seeing objectively the impact of their activity on others. . . ."

Job rotation is one method by which managers may be exposed to a broadening variety of tasks. Some companies go in for it in a big way. The usual plan is to let a manager spend six months or a year in one job and then shift him to another department, or at least another type of work, at approximately the same level of responsibility.

This system gives a manager a wider view of the company's operations, and prevents his becoming overspecialized or provincial in his outlook. It also prevents him from contributing very much to the actual management *(continued on page 44)*

Company presidents tell what helped them get to the top

"Nothing will replace a challenge, hard work and personal discipline."

—JOHN A. LAWLER,
president, Aeronca Mfg. Corp.,
Middletown, Ohio.

"In retrospect, everything—but everything—in business experience was similar to a gestation period. The process of infancy, puberty and maturity still continues."

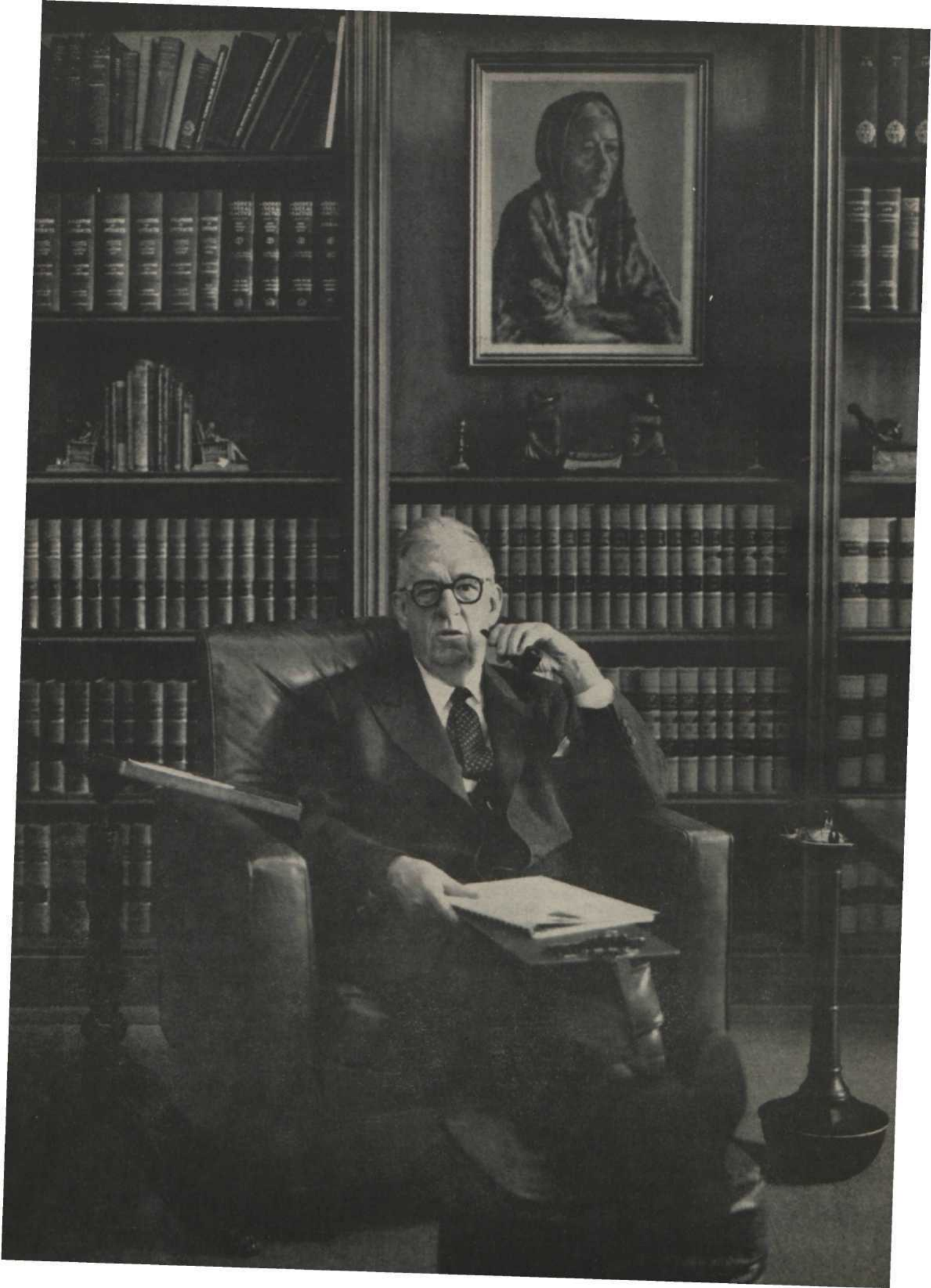
—C. B. ENGLAND,
president, Ward Baking Co.,
New York

"Working for a superior who insisted on high quality performance instilled in me the importance of thoroughness. Assignment to a series of successively more challenging positions gave me the opportunity to deal with a variety of problems, and to come in contact with different groups of people."

—T. H. DOBBIN,
president, Maryland National Bank,
Baltimore, Maryland.

"A Sloan Fellowship at M. I. T. broadened my engineering background by introducing me to management considerations not normally included in an engineer's basic training."

—JAMES H. CAMPBELL,
president, Consumers Power Co.,
Jackson, Michigan.



QUALITIES OF VICTORY · PART 7

Our heritage has given us the strengths to defy tyranny, conquer a continent, build a nation. In these qualities we find the power to win the cold war—or the hot. This is the seventh in a series of articles by nationally prominent men describing these qualities

JUSTICE

BY JUDGE E. BARRETT PRETTYMAN

JUSTICE is probably on every list ever compiled by man to depict the elements of a perfect social order.

But what is it? The concept springs from the underlying fact that in every locality on the earth there are a number of people, and from the belief that these people have rights; as, for example, of life, property, or happiness. These rights have never been the same in all areas, or for all people in any one area, but rights there always have been and in all places.

Somehow or other, in man's mind from his creation have been convictions concerning the interrelationships of these human creatures, that is to say, what and how much belongs to each. At the same time, from the beginning of history, among the people in every area have been some who intruded upon what was another's. One took another's life, or his property, or despoiled his contentment. To negate these forays has been an unceasing chore of humankind, at least since history first began its records. Rules came.

These rules prescribed the conduct essential to interdependent living in groups, and also prescribed the consequences of divergent behavior. The enactment of these rules required adherence to moral intangibles of what is due each; this is called "justice."

The American heritage of justice draws upon lessons inherent in the experience of 6,000 years of human striving. Our system is bottomed upon these premises:

1. That law is the best governor.
2. That the human being is dignified and is to be protected against false claims by the mighty or by the weak and against the overwhelming power of the state.
3. That justice must be premised upon the truth; that is, the facts of the matter.
4. That justice *(continued on page 92)*

Judge Prettyman served on the U. S. Court of Appeals for the District of Columbia Circuit for 17 years. From 1958 to 1960 he was chief judge.

Known as an arbiter of delicate matters, Judge Prettyman recently headed an inquiry into whether U-2 pilot Francis Gary Powers fulfilled his commitment to the Central Intelligence Agency.

Judge Prettyman has been general counsel for the Internal Revenue Service, president of the Washington Board of Trade, president of the District Bar Association, a lecturer at Georgetown University, and chairman of the U. S. Conference on Administrative Procedure.

FRED J. MAROON

A LOOK AHEAD by the staff of the

Financial legislation unlikely

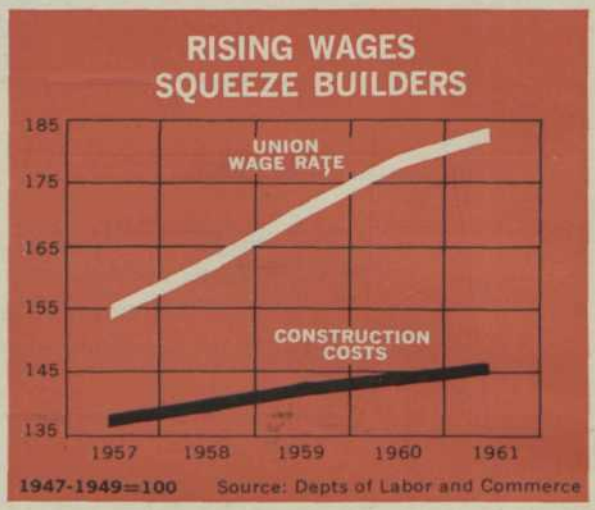
(Credit and finance)

How grocers are doing

(Marketing)

Prospecting rules changed

(Natural resources)



AGRICULTURE

Nearly 48 million acres may be diverted from crop production under the 1962 special acreage diversion program for wheat and feed grains.

Final reports from the U. S. Department of Agriculture indicate that producers have agreed to cut their wheat acreage by 15 million acres. Under the feed grain program producers have signed up to divert 23 million acres of corn, 6.7 million acres of grain sorghums and three million acres of barley.

Producers are eligible to receive about half of their government payments on these crops by planting time. The total possible advance payment for all four grains is $615 million. The balance will be paid after compliance with the agreements has been verified.

CONSTRUCTION

Labor wage pressures are forcing construction costs to record high levels. (See chart above.)

Only gains in productivity and holding the line on materials prices have kept construction costs from rising even more rapidly. The Department of Labor index of wholesale prices of all construction materials shows:

Year	*Index (1947-49 = 100)*
1957	130.6
1958	130.5
1959	134.6
1960	132.6
1961	130.1

Labor costs are generating upward pressures for materials, too. Typical is the average hourly wage pattern in the stone, clay and glass products industry.

CREDIT & FINANCE

Enactment of financial legislation of major importance in this session seems remote. More than three dozen finance bills have been introduced since the beginning of the Eighty-seventh Congress. Only a few have reached the hearing stage.

One of the dampers may be the President's establishment of a special Committee on Financial Institutions. It appears that finance legislation will now be delayed until after this Committee reports in November.

Legislation in this category includes bills which would alter the basic structure of the Federal Reserve System, provide federal charters for mutual savings banks and control expansion of bank holding companies.

In May, the Senate Banking and Currency Committee reopened hearings on the bill by Sen. Paul Douglas, Illinois Democrat, to require that finance charges on all credit and loan transactions be expressed as a simple annual rate.

FOREIGN TRADE

The Administration-sponsored Trade Expansion Act of 1962, amended substantially by the House Ways and Means Committee, is expected to pass the House and be considered by the Senate Finance Committee this month.

Emphasis of the arguments for extension of Presidential authority to negotiate for reduction of tariffs has centered on increasing the ability of the United States to meet increasing competition from the European Common Market.

Arguments against extension tend to revolve around the claim that American costs, due to high wages, are such that the United States cannot compete successfully with foreign production.

Still our exports continue to exceed imports by some $5 billion a year. Moreover, American wages seem to be highest in those industries that export most successfully.

Proponents and opponents of the trade expansion program agree that any reductions should be made in gradual stages, that they be reciprocal, and that injury to domestic industries be avoided to the greatest extent possible.

Disagreement within the two camps centers on the trade adjustment assistance proposals for direct help to firms or workers injured by tariff reductions.

GOVERNMENT SPENDING

Division of opinion among the President's advisers on fiscal policy is becoming increasingly apparent.

This is not a liberal-conservative clash, but rather might be termed a liberal versus ultra-liberal.

The President's announcement that he would propose a balanced

budget for fiscal 1963 disappointed several Administration economists. The President believes the budget should be balanced over the business cycle, with surpluses in years of prosperity to retard inflation and deficits when he believes the economy needs a boost.

It now appears that the concept of even balancing the budget over the business cycle is under attack within the Administration.

The philosophy of some economists is: balancing the budget over the business cycle tends to neutralize the budget's effect as an economic tool.

Since the budget should play a dynamic part in the national economy, and the economy has shown that it needs stimulation by government, the argument goes that we cannot afford a neutral budget.

LABOR

Greater government intervention in collective bargaining may result from the report of the President's Advisory Committee on Labor-Management Policy.

The committee recommends revision of Taft-Hartley Act procedures to give Presidential fact-finding boards power to recommend settlement terms and increase governmental injunctive power.

Proponents of this legislation point to the public interest in the settlement of disputes in industries affecting the national welfare. Opponents feel that present procedures are working well and that increased government intervention will lead to government regulation of production, size and distribution of profits, and company investment for expansion and new equipment.

The President is expected to submit his request for legislation late in the present congressional session.

MARKETING

Smaller and medium-size grocery enterprises will continue to compete vigorously with their chain competitors in years to come. This is the conclusion of those who have studied a recent survey which shows that when 1961 grocery store sales reached an all-time high of $54.5 billion the biggest gainers were "medium and smaller chains and independents."

This group increased sales six per cent over 1960. The larger chains reported sales gains slightly lower than the total retail food industry.

Independent retailers belonging to voluntary and cooperative groups, the survey shows, have "increased their share of food store sales from 29 per cent in 1947 to 49 per cent in 1961, making this the single biggest bloc in the nation's food retailing structure."

Grocery wholesalers did even better than the retail grocers.

NATURAL RESOURCES

Mining men in the West are worried about an apparent change in rules which have applied to federal lands for a century.

In the past no permit was necessary to prospect on the public domain. If a prospector found showings of a mineral he staked out a claim and recorded it at the nearest courthouse. This claim gave him sole right to continue prospecting, provided he did $100 worth of work a year. If he found "any showing of mineral sufficient to warrant a prudent man to invest his time and money in the hopes of developing a profitable mine" he could obtain a patent or title to the land. The only exceptions: certain deposits such as oil and gas, coal, potash, phosphate, and soda, which can be mined only under a leasing system.

Recently, however, the Bureau of Land Management of the Interior Department, in several patent applications, appears to have required that the deposit be one that could be mined today at a profit.

If such a rule had been in force in the past most of the metal mines in the West would never have been developed.

TAXATION

It is now evident that the big tax bill will not come out of the Senate before late this month. Final action may not be completed until mid-July.

The Finance Committee found the bill so complex it is spending a month in executive session rewriting the House-passed measure.

Once out of Committee, the bill still faces tough going on the Senate floor.

The Senate bill is certain to vary from the House version. Therefore, joint conference action will be necessary. Perhaps another two months will pass before the public knows if and how our present Internal Revenue Code will be changed.

The Senate conferees may have more say than usual at the joint conferences. Because of the very close vote in the House, power of the House conferees may lack its usual controlling force.

Many of the excise taxes, scheduled to bring in approximately $10 billion in fiscal 1963, expire or decline July 1. For years, these taxes have been extended for another year without change. This year, however, the President has proposed that the 10 per cent tax on transportation of persons be eliminated on all but air travel, on which it would be reduced. User charges in certain areas of transportation would compensate for lost revenue.

TRANSPORTATION

President Kennedy has recommended spending $500 million to finance a federal grant program for local transit and commuter transportation.

If the proposal is enacted, taxpayers throughout the nation, whether or not they use or even have transit facilities, will have to pay the cost of the program which would be helpful mostly to wealthier metropolitan areas.

Unlike the federal aid highway program, which is financed on a pay-as-you-go basis through taxes paid into a special highway trust fund by the users of the highways, this program must be paid for by funds taken directly from the federal treasury, and with no direct return to the Treasury by the comparatively few users who will benefit.

Actually, the Administration's request for $500 million merely initiates the program. Over the next 10 years the cost could total $2.5 billion.

HOW TO SUCCEED

continued from page 39

of the company during the period when he is in rotation, because as soon as he becomes reasonably familiar with one job, he is packed off to another. For this reason, horizontal rotation is one of the costliest methods of executive development, and many companies have begun to wonder whether it is worth while.

There is little dispute, however, over the value of what is sometimes called "vertical rotation." Vertical rotation means assigning a man to a series of successively more challenging positions. The new assignments are not necessarily accompanied by formal promotions. The thing is to plan them so that a manager has a little more responsibility in each post.

The experience of moving through progressively tougher jobs was rated more highly than any other by the executives surveyed. One third of them said it made a major contribution to their success.

A surprisingly large vote also was cast for "experience in a small organization where one is able to get decision-making responsibilities early." Ten per cent of the executives attributed prime value to such experience. This might be read as a strong argument for large organizations to assign bright young men to subsidiaries, branch offices or other quasi-autonomous operations which approximate the conditions of a small organization.

In-plant courses

In recent years it has been fashionable in some business circles to be skeptical of in-plant training as a means of developing managers.

There seem to be two reasons for this attitude. The first is a suspicion that many companies have tried to keep up with the industrial Joneses by labeling as executive training such routine activities as staff meetings and sales conferences. The second is a belief that in-plant courses inevitably tend to train for conformity.

Let it be acknowledged that both the suspicion and the belief are well grounded. Many in-plant courses are pure eyewash. Even the good ones do train for conformity.

But the first objection can readily be overcome by putting a little thought and money into the presentation of solid, well planned courses.

The second argument is not really valid. It is time to get over the notion that conformity is an evil which business must avoid at all costs. Too much of it is obviously undesirable, especially in the upper echelons of management where creative thinking is clearly needed. But no organization can get along without a substantial degree of conformity.

Unless there is to be chaos, top management must prescribe a certain number of company-wide policies and standard procedures which reflect the lessons the whole organization has learned from its experience, and which insure that all parts will be working in reasonable harmony toward the same broad objectives. This kind of internal discipline becomes no less vital because someone pins the name conformity on it. It is therefore a tribute, not an objection, to in-plant courses to say that they are a highly effective way of training managers to play a team game according to established ground rules.

University courses

Sending managers off to Harvard, M.I.T., Carnegie Tech or any of the other leading universities which offer special courses for executives has been the thing to do in recent years. A good many companies have gone along without knowing what, if anything, they hoped to gain by it. The expense of these courses—both in money and in time—has lately prompted a reappraisal of their value.

The consensus which seems to be emerging is that university courses have a unique function in executive development. As in-plant courses train for conformity, the university courses train for creativity.

There is growing recognition that the experience of attending an outside management course should be reserved, in most cases, for men who have had wide experience in the company and who have either attained or are marked for high levels of executive responsibility.

To send a junior manager to such a course is often a waste of time and money—or worse, a positive handicap for him. He will be

Watch for:

New look at the mood of business

Where is the nation's economy headed during the next 12 months?

Will businessmen, apprehensive of government pressure, cut back their plans for expanding? Will prices be held at their present levels? Will the pinch on profits grow even tighter?

These are questions currently being asked in board rooms, executive conferences and offices across America. Seldom in recent history have there been so many questions on the minds of businessmen.

You'll get important clues to the direction the economy is headed in next month's special report on a NATION'S BUSINESS survey of 1,000 leading executives in major industries throughout the country. It will tell you what business leaders expect in such areas as sales, employment, profits—and in government-business relationships.

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HOW TO SUCCEED

continued

confronted with concepts and insights which are beyond his level and which will seem irrelevant to the management problems with which he is actually wrestling. If he should happen to pick up a few creative new ideas, he may find them a source of frustration on his return, since he is not yet in a position to exert much influence on company policy.

But for the senior executive, university programs can offer tremendous values: time for meditation and reflection, a chance to compare problems (and solutions) with men of similar responsibility in other organizations; a widening of intellectual horizons; a yardstick by which he can measure his own experiences and either confirm—or correct—the attitudes which they have implanted in him.

In a survey of 10,000 executives who had attended university programs, Professor Andrews found that the overwhelming majority considered the experience a valuable contribution to their development. Considering that the survey covered all kinds of courses, including some as short as two weeks, and all levels of executives, this is impressive testimony to their impact.

In summary, a balanced program of development should include:

1. On-the-job training, with the primary emphasis on requiring a high standard of performance in regular duties, rather than elaborate appraisal, counseling and coaching procedures.

2. Carefully planned rotation, with the emphasis on moving a man through progressively more challenging assignments rather than changing jobs for the sake of doing something different.

3. In-plant courses which frankly train for conformity by indoctrinating younger managers in company policies and procedures.

4. Attendance at university courses to provide a creative stimulus for upper-echelon executives who can change the direction of company policy.—RAYMOND L. RANDALL & LOUIS CASSELS

REPRINTS *of "Balance: Survey Shows How To Succeed" may be obtained for 10 cents a copy or $7.00 per 100 postpaid from Nation's Business, 1615 H St., N.W., Washington 6, D. C. Please enclose remittance with order.*

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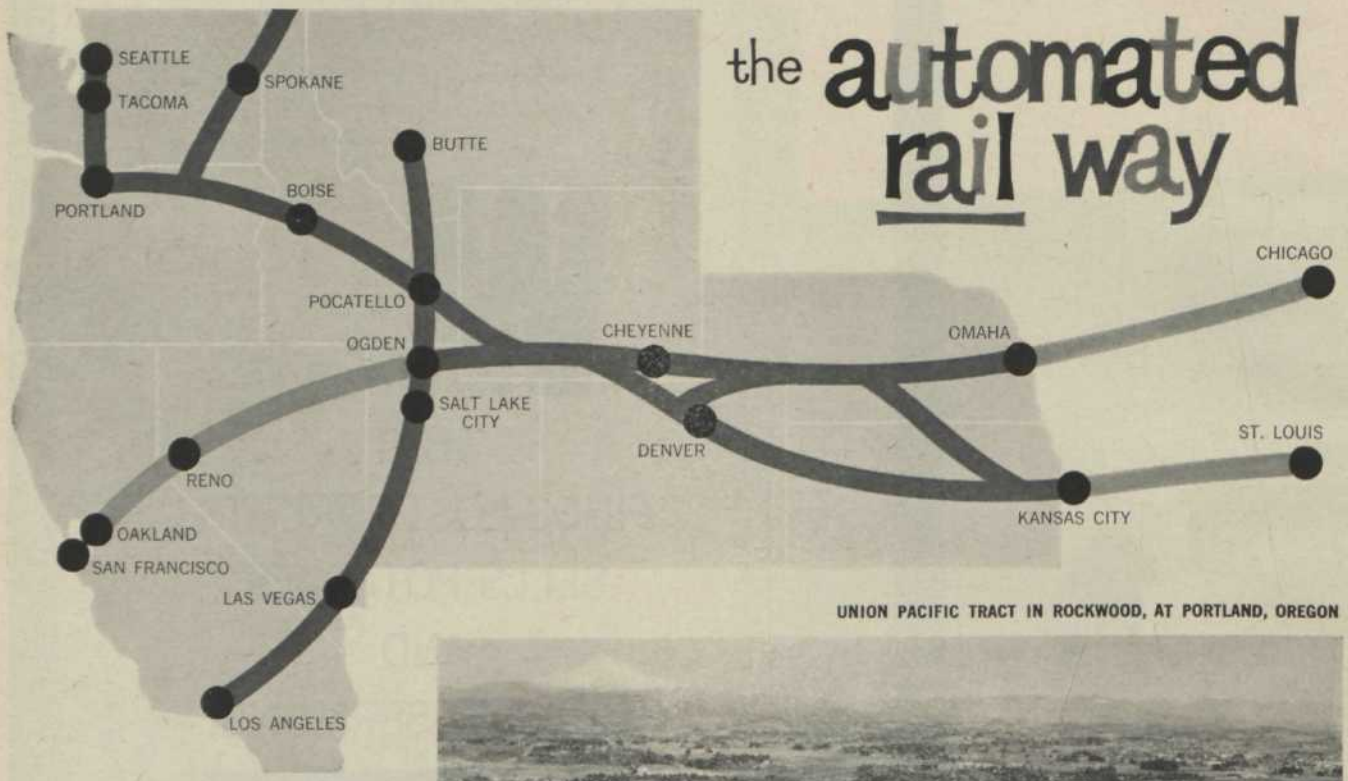
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LOCATE IN THE WEST... where 9 out of 10 industrial markets are outpacing the national growth

These are the growingest states. Union Pacific has sites for industry throughout this region. In areas such as Los Angeles, Portland, Salt Lake City, Denver and Omaha, large tracts have been developed, readied by the Railroad for industry.

The tract shown above, for example, is in Rockwood, part of the Portland, Oregon, area. Here are many opportunities for growing industry. Easy access and excellent transportation, with fully developed land, combined with ideal climate, provide advantages.

With our many years industrial experience in these western states, we may be helpful to you. Your inquiry will be handled confidentially.

PERSONAL OUTLOOK

Test your HQ (homework quotient)

How would you answer the following questions?

1. Are you regularly taking a lot of office work home with you to do at night and on week ends?

yes ☐ no ☐

2. Do you follow a fixed schedule—so many hours a night, so many nights a week—instead of varying your work as the demands of your job fluctuate?

yes ☐ no ☐

3. Are you neglecting your family and other important interests to devote more and more time to your job?

yes ☐ no ☐

4. Are you getting satisfaction only from the work at hand, rather than from the broader aim of achieving company goals?

yes ☐ no ☐

If you have any "yes" answers, you might spend an evening reassessing the need for homework.

That's the advice of Dr. Alan A. McLean, psychiatric consultant for IBM.

If your answers are "no"—and you still take work home to give more time to a particular project or meet a pressing deadline—don't worry about it.

"Too much has been written that arouses feelings of guilt over being closely identified with your job," Dr. McLean says.

An executive or professional man should have a strong interest in his work and gain satisfaction from it, he points out.

But maintain flexibility in doing homework.

Teaching thrift can save for you

You can teach thrift to your son or daughter this summer.

It could mean money in your own pocket.

An estimated 2.5 million school-age youngsters will be seeking summer work, starting this month.

Many of them will get good pay.

But keep this in mind:

A well-paying summer job for your youngster might cost you a $600 exemption on your federal income tax. So might a student loan.

You must provide more than half of his total support for the year in order to claim him as a dependent.

If he earns or borrows more than half of his own support, you've lost him as an exemption.

Here's the path to possible savings for you:

Money which your youngster earns and then saves or invests—instead of spending it on himself—doesn't count in figuring support.

Your donations are going up

You'll give $160 to charity in 1970 for every $100 you gave last year.

Individual donors, the major source of philanthropy in the United States, gave an estimat-

ed $7 billion to religious, educational, health, and social welfare organizations in 1961.

They are expected to give about $11.3 billion in 1970, according to the American Association of Fund-Raising Counsel.

Private support of charitable institutions doubled between 1950 and 1960.

This rise outpaced personal income, which went up 78 per cent in the same period, and total national production, which increased 77 per cent.

If you're a typical donor, your gifts are split up as follows:

Fifty-one per cent to religious groups, 16 per cent for education, 15 per cent for welfare, 12 per cent for health, six per cent for other causes.

How did individual donors compare last year with other major philanthropic resources?

Their $7 billion in gifts far surpassed the $625 million from foundations, $460 million from business corporations, and $615 million from charitable bequests.

Double check your investments

Sift your portfolio now for stocks that will do well in the next bull market.

Ragnar D. Naess, senior partner of Naess & Thomas, New York investment counseling firm, makes this recommendation.

He points out that stocks with good future potential aren't necessarily those that have performed well in the past.

Weed out the dead ducks in your portfolio and take your losses, he suggests.

If you have cash to invest, Mr. Naess believes that this might be a good time to look for top quality stocks which have dropped in price.

Despite their recent high prices, he says that municipal bonds are still a good investment for a portion of your funds if you're in the 50 per cent tax bracket or higher.

Here are tips on buying diamonds

You can make diamonds one of your wife's best friends if you buy them carefully.

They represent a sizable investment, and will last longer than almost anything else you can give her.

What are the keys to selecting diamond jewelry?

Good design and good craftsmanship are of prime importance in giving long-term pleasure and value, Darwin R. Neumeister, president of the American Gem Society, advises.

Diamonds are judged on the basis of four criteria:

Weight—in carats.

Cut—the quality of workmanship in arranging its facets affects a diamond's brilliance.

Color—more than 200 shades of white have been identified in diamonds. The whiter whites are more rare and more expensive.

Clarity—the absence of carbon spots, bubbles, or other noticeable flaws.

Color and cut, which determine a diamond's brilliance and beauty, are a more important consideration than clarity, provided the flaws are invisible to the naked eye, Mr. Neumeister believes.

Current prices, depending on individual quality, range from $450 to $1,500 for one carat. Three carats cost between $2,400 and $8,200.

Can automation make your typists more useful?

Indeed it can. The creation of basic business documents on *automated* equipment will greatly increase the productivity of *every* member of your office staff: typists, inventory control clerks, billing and invoicing staffs, etc.

And the machines to do this work can be operated by any competent office girl, with only a few hours' instruction.

No longer do large staffs write down, add up, figure out, and do over—until it's right. Instead, your staff, working with *basic* automation equipment, captures all business data in punched tape or tab cards. These, when fed into other machines (or back into the *same* machine that created them), type letters, compute invoices, write sales and purchase orders, figure payrolls, keep inventory records, and prepare a variety of other important business documents. All with great speed; all error-free.

The users of basic automation equipment report a host of immediate benefits:

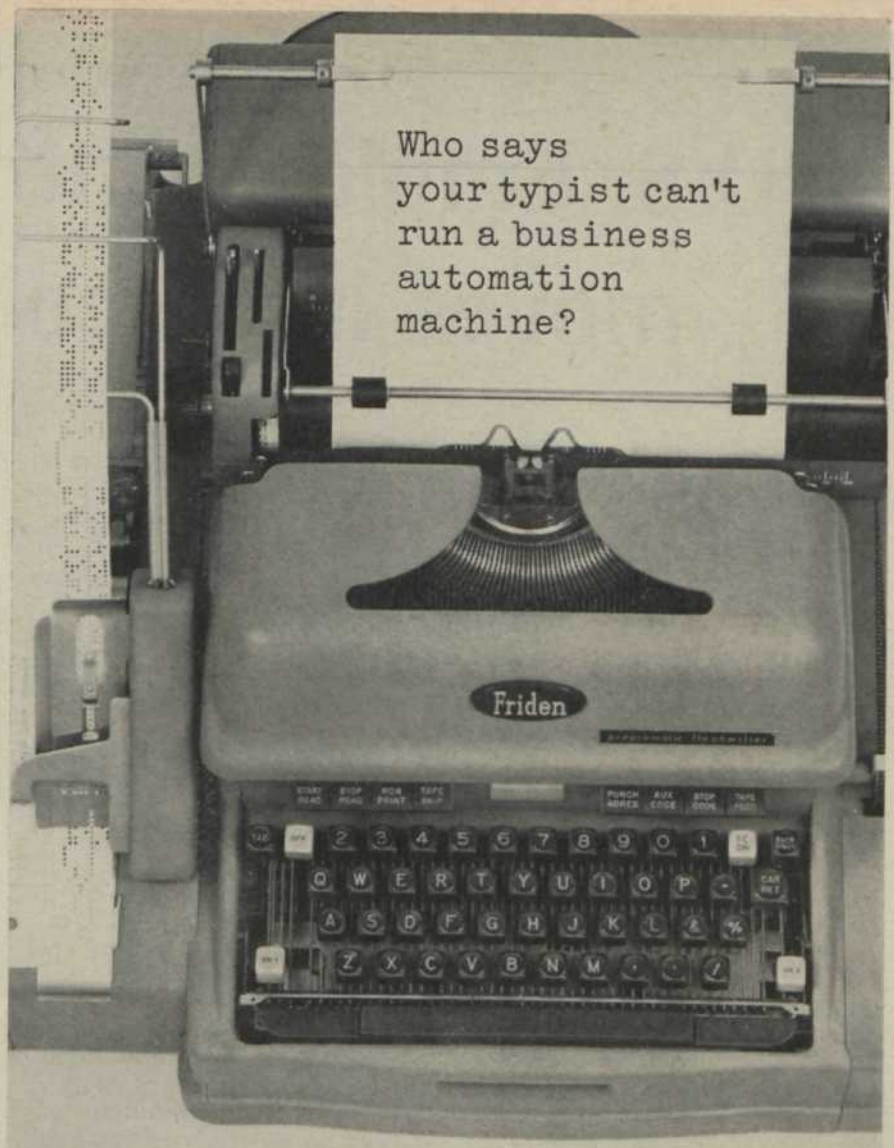
A constant number of office workers can handle a growing volume of work. Work that once took days to get out now takes only hours—without the strain often present under non-automated procedures.

The quality of paperwork soars, because what the machines do automatically, the operator can't do wrong!

Automated data handling means fewer procedures—for old workers to remember, for new workers to forget, and for management to control and supervise. Since these machines are simple to understand and easy to operate, there is no problem of breaking in personnel.

We've saved the best news till last: basic automation is *low-cost*. In terms of one worker's annual wage, it is downright inexpensive.

For the full story on basic automation call your *local Friden systems man*. He will be glad to discuss automation with you and your management staff.
Or write: Friden, Inc., San Leandro, California.



Does this keyboard look familiar?

It's the business end of a business machine basic to office automation—the Friden Flexowriter.® With less than a day's instruction, *your* girl can use this machine to translate human language into language other machines can understand.

For the Flexowriter not only types, but *records* what it has typed on punched paper tape that can control a variety of other machines. Or it can control *itself*.

This tape talks directly to computers, or it reproduces an office document at 100 words-a-minute with automatic accuracy. Banks use Flexowriters to re-create often-repeated operations. Manufacturers use them to instruct industrial machine tools.

Flexowriters are used to automate billing, sales analyses, inventory control, purchase orders...all the paperwork which keeps business moving.

For many companies, the Flexowriter achieves all the benefits of automation needed to remain competitive in this rapidly-automating age.

It provides a thoughtful first step into more complex automation, illuminates the areas in which more automation can be fruitful.

To see how easily you can step into the benefits of automation, call your local Friden Systems man. Or write: Friden, Inc., San Leandro, California.

THIS IS PRACTIMATION: practical automation by Friden—for business and industry.

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Sales, Service and Instruction Throughout the U.S. and World

U.S. Employment Service moves in on colleges

Educators fear trend will lead to federal control of graduates

IF A NEW WASHINGTON plan succeeds, you might have to get that promising young college graduate you need by asking the government for him.

All it will take is a phone call to the nearest United States Employment Service office.

Whether this will be good or bad for you or the graduate or the nation is debatable. The Labor Department believes that such a system to channel professional manpower into the most suitable jobs is in the public interest. It has suggested that state USES offices:

1. Register graduating classes at colleges.

2. Make available to college placement offices information concerning job opportunities without identifying employers.

3. Station a staff member at the college for a time before graduation to give students labor market information and to arrange for recruitment.

4. Assign a staff member on a year-round basis to the college when placement activity is sufficient to warrant it.

5. Handle placement activity for the college in the local employment office.

The USES finances and oversees 1,860 state-administered offices. About 15,000 members of its staff are exclusively involved in job placement. Full or part-time operations already are maintained on at least 10 campuses.

Many educators and employers consider the expansion of college graduate placement not only a threat to institutionally supported placement offices, but also as having long-range implications of federal control of employment of professional and nonprofessional personnel.

Establishes takeover precedent

Among the primary objections are:

► Loss of local control.

The California Educational Placement Association says:

"By the national control of manpower allocation, placement policies would be determined by Washington rather than by the local situation. Placement policies should represent the point of view of a particular college or university administration. This would be most difficult to do if placement activities were confined to state and federal departments of employment."

► Operation of placement services by a state agency would establish a precedent for taking over other facilities.

► An outside agency would be in a position to influence the curriculum of the institution by counseling students as to what courses to take or ignore.

► An outside agency could not be accorded free use of student files beyond academic records since the institution would have no control over off-campus appointed officials.

► College-appointed placement officials are professionally trained to serve the educational and personal needs of students. Nonacademic personnel selected, appointed and directed by an outside agency are oriented to immediate or near future placement.

Labor Department officials contend that the total manpower needs of the nation and effective utilization of professional manpower outstrip the individual college placement office. Every college senior registering for employment, they say, should be made available not only to the placement office but also to the state employment service.

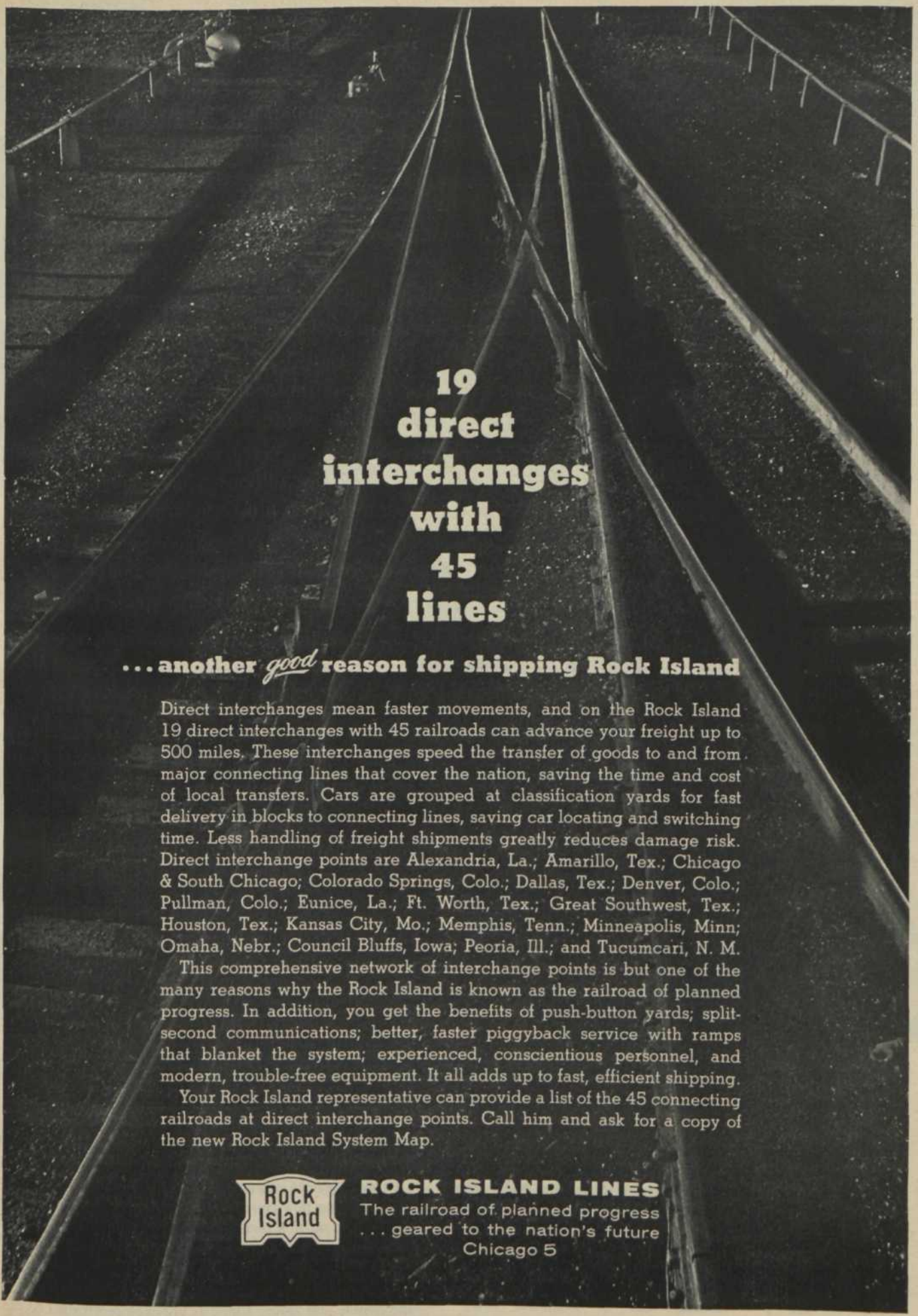
The Department describes USES as "probably the largest institution of its kind in the free world." Although in its early years the agency primarily was concerned with WPA, PWA, CCC and similar employment, it became the manpower arm of the government in World War II, channeling workers to defense activities and assisting in their training.

Throughout its history its volume of professional placements has been relatively small. It was not until last year that the USES got additional funds to strengthen this function. Boosts totaling $41 million in the past two years have raised the over-all placement budget to $130 million.

Department officials emphasize, however, that professional placement activities are not a new departure. They point out that teacher placement service has been carried on under federal and state auspices for about two decades and now operates in 16 states and that conventional placement services are provided for 50 societies.

The USES is separating professional placement services from unemployment compensation functions in 45 metropolitan areas. These new offices, according to the Labor Department, will have additional funds to hire the most competent people; staffs will be sharply expanded. In some cases where the professional placement program has had little previous

(continued on page 58)



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NB-62

COLLEGES

continued

emphasis the staff will almost double. The new offices will become the backbone of the Professional Office Network.

Central employment agency

The potentialities of this network especially worry many educators and employers. Any of the network's 120 offices can communicate directly with any of the 1,860 offices of the employment services concerning a job or an applicant. Last year the network filled about 192,000 of the 14.6 million jobs filled by the services.

Department officials envision a possible elaboration of this network in the form of a central agency, possibly in Washington, D.C., where electronic data computers could match job openings and applicants.

A test project is under way in California to determine the application of electronic data processing to placement work. The Department plans to apply experience from this test to the network with the aim of speeding up and making more effective interarea clearance of professional job openings and résumés of applicants.

Veteran personnel officials emphasize that, while automatic data processing has many capabilities, it's extremely difficult to lump an individual into a numbered code. Such a number being matched at a central point to a numbered job opening, they say, won't show many of the individualistic factors involved. For example, it won't show if the applicant is a chronic malcontent.

Many educators and employers see matching of jobs and applicants at a central point by machines as a big step toward controlled manpower.

Employers prefer college setups

Whether USES is able to move into closer relationship with the campus depends enormously on the attitude of employers.

Surveys of employers indicate that no government assistance is needed or sought. Consensus of the employers of the Southern College Placement Association is that "the most effective job of placement is being done through the free enterprise system. Every effort should be made to create an interest and awareness that colleges retain control of their own activity."

The employers committee of the Midwest College Placement Association declares that the placement officer system has proven practical and workable and is serving the best interests of the students, the colleges, and the employers.

"Any supplanting of this system with services provided by agencies outside the colleges and universities which are not solely responsible to college administrations would reduce the total effectiveness of this vital function."

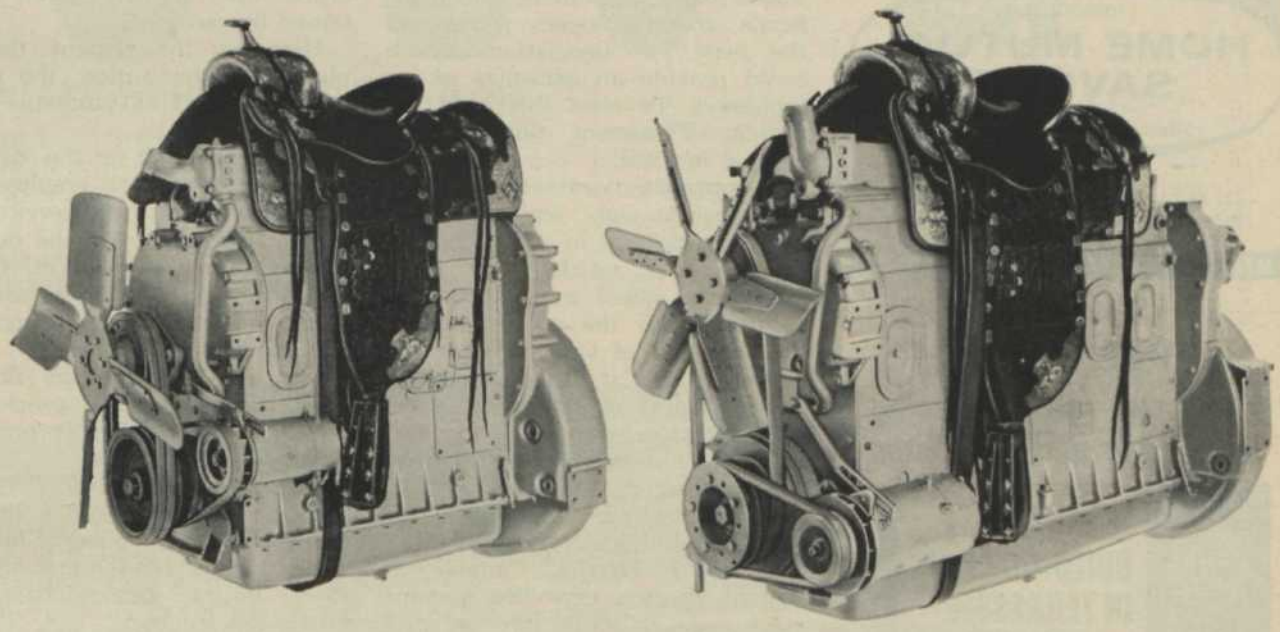
Proponents of meeting the demand for professionals primarily via college placement offices and private agencies cite the experience of Canadian universities which have had a variety of degrees of government employment service on campus.

Unprecedented power over your business is sought for the Federal Trade Commission. See "New injunctions would cancel basic rights," starting on page 37

In one case the Canadian National Employment Service took over summer employment placements. Students soon complained about lack of opportunities and were unhappy about being compelled to complete detailed government forms.

The next year the university set up its own facility. Its activity has steadily increased and placements in all parts of the continent have jumped. Shortly it was among leading Canadian institutions in percentage of summer employment.

A report about the government operation states that there were many complaints from industry. Among them: no opportunity for close contact with the academic staff; lack of academic information about the applicant; directed interviews with applicants pre-screened according to government, not employer, wishes; in general, a lack of that extra something that personalizes the institution and cre-



How to change horses in midstream

(and still keep parts and service costs in stride)

Old adages don't always make modern business sense.

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COLLEGES

continued

ates friends beyond the need of the moment.

Few employers use the NES except for the most casual labor requirement. One area reports: "It is evident that the graduate and executive rarely use the government facilities for registration. This is due to the lack of confidential treatment in an office where records are massed and handled by many individuals of varying capacities."

Government has limited role

Before World War II only a few colleges established placement offices in the sense they are known today and comparatively few employers had well defined programs for college recruiting. In the late 1940's many individuals, college officials and employers recognized the need for associations which could provide an exchange of information. To meet this need the College Placement Council was created in 1957.

A nonprofit coordinating agency, it represents eight regional placement associations in the U. S. and Canada, and assists some 1,000 placement offices and 2,000 employers. With the cooperation of the Chamber of Commerce of the United States, it has developed a set of ethical concepts for placement directors, employers and students. Two years ago it introduced a salary survey which is used to minimize the inflationary effects of recruiting competition.

Robert F. Herrick, Council executive director, says "the government seeks to move into an area already serviced and where people are doing a good job. It seeks to duplicate a service that has become increasingly professional. The college placement field is only about 15 years old. If the government stays out, placement offices will do as fine a job as admissions offices do now."

Labor Department officials claim many students receive little employment counseling until some six months before graduation.

Today, according to Everett A. Teal, director of Lehigh University's placement service, and a former president of the Council, "most colleges and universities have a counseling service. There is enough good counseling going along with placement so that USES would not improve the situation.

"Good counseling looks at a person as a whole. To bring in an outside agency, an employment agency not associated with the college or university, would do far more harm than good."

Many placement officials agree that considerably more progress should be made in counseling, but they emphasize that institutions are expanding the amount of counseling activity to include the freshman year.

They point out that a state employment service cannot be in the same position to advise a student whether or not to go on to graduate school.

One of the major criticisms by opponents of more government placements of students is that the personal touch is missing. They say the relationship of a placement officer who knows through faculty connections the abilities and capabilities of a student cannot be attained by outsiders.

How can the student, the employer, the institution, the nation be best served by graduate placement?

Mr. Teal sums up the views of many educators and employers:

"State employment services are trying to move in on the demand for technical people. Yet, in the technical field, and in accounting, I know of no reputable school that is hurting in placements.

"In the nontechnical field, I don't think the state agencies can do as good a job as is presently being done.

"The government does have a role. It traditionally has handled semiprofessional and business school people. It's the new effort to move in on professionals that causes the trouble.

"Placement officers should work with local employment offices when it's advantageous to the student. There will always be a residue of graduates who are not too attractive. Some are going to have to take jobs that don't necessarily require collar and tie.

"The Pennsylvania employment service serves this purpose. It seems to me its proper role with the campus is to devote itself to dropouts and unemployable graduates." **END**

REPRINTS *of "U. S. Employment Service Moves In on Colleges" may be obtained for 10 cents a copy or $7.00 per 100 postpaid from Nation's Business, 1615 H St., N.W., Washington 6, D.C. Please enclose remittance.*

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When to tell your secrets

Managers' need to know must be weighed against risks of carelessness

How confidential should you get?

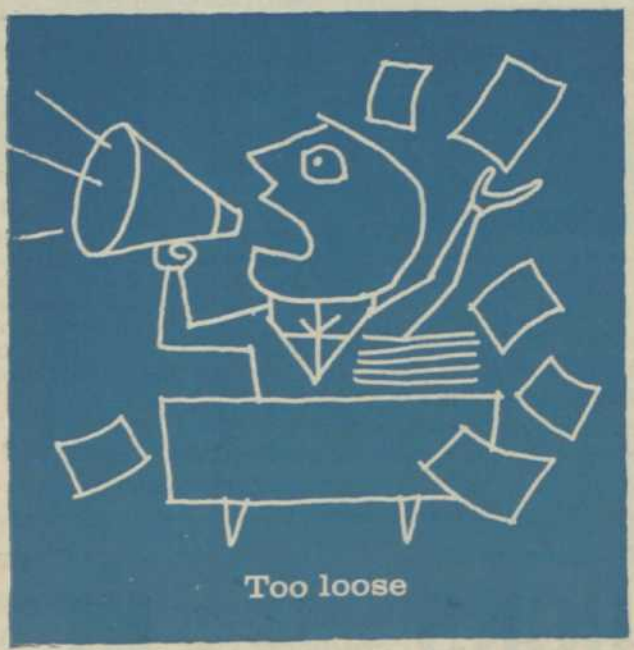
Where is the line at which keeping company information confidential begins to damage morale and teamwork?

Can you suppress information and still hold managers accountable for high performance?

Many companies are asking these questions.

To help determine how much privacy in information-handling is advisable in management, one should consider these main points:

- The kind of information involved and how crucial it is.
- Who wants to know, why, and on what basis.
- The essentials and risks in dealing with company intelligence.



Too loose

The problem of secrecy in business and industry is becoming more serious. There is, first, the desire to have a good company image. Then there is the emphasis on communication which tends to step up the flow of many kinds of information. The increasing tempo of research and development has intensified the problem.

The decentralization of plants and offices spreads the network of information. Most important, however, are the newer patterns of management which involve more middle managers and supervisors in decision-making.

All these forces make the withholding of information more difficult.

The matter of representing the company is also becoming more delicate, in view of the volume of projects growing out of government contracts, increasing experimentation in new product development, diversification, and the competition for manpower, talent, and ideas.

Too much talk or careless handling of information can interfere with objective re-examination of a company policy, damage a man's career, jeopardize a new development, or benefit a competitor. Too little information can lead to fuzziness about policy, slow down decision-making, and hurt morale.

There is no easy answer. An organization stands to lose if it tries to become a miniature FBI to protect its affairs. It also stands to lose if it countenances lax discussion of its activities and plans.

The best counsel probably lies in good judgment, propriety, and that classical maxim: everything in moderation. In this mix should be some awareness of the distinctions among different kinds of information, caution as to who needs to know, and an understanding of the essentials and some of the risks involved.

What kind of information

One should recognize the range of company information involved in any discussion of confidenti-

ality and draw distinctions between the various types. These usually fall into four categories:

1. Company intelligence.
2. Personal-official.
3. Personal.
4. Operating data.

Company intelligence would be concerned with possible acquisitions, a planned new product, contract offers and bids, an engineering design, contemplated price changes. It extends also to other topics of major concern to top management—long-range planning, market breakthroughs, capitalization, diversification into new or different product lines, expansion at home or abroad.

At times such intelligence involves stockpiling, forecasting, and company policy on relations with labor, subcontractors and competitors.

Take all possible steps to keep matters such as these confidential. Premature disclosure or leakage can do grave harm.

Personal-official information deals with a man's job and his relationships within a particular office, branch, or department; his handling of people, and other problems growing out of his official role. It may involve his efforts at experimentation, service on committees, handling of priorities, or merit rating.

These personal-official matters are, for the most part, not of company-wide concern. A boss should keep them within his department. If he finds it necessary or desirable to confer with his own boss or seek his counsel, he should expect him also to keep the situation confidential.

Personal information is a particularly sensitive category. This goes beyond such data as a man's test scores, previous employment history, salary, health. Here we are concerned with confidential information about individuals. The company can take such action as it deems best in the case of an individual who is charged with gambling, alcoholism, pilfering, or other indiscretions but to the fullest extent possible it should prevent careless handling of such information.





Some charges of these types may result from jealousy or attempted character assassination. They may be rumor and distortion rather than fact.

While investigating cases involving the character of an individual do all you can to keep it confidential—up to the point of action, at least.

Operating information constitutes the bloodstream of an organization. This category includes information concerning objectives, plans, policies, controls, financial support, standards, priorities, staffing, programs, and key personnel changes. For the most part, we have to regard these as management tools. Without such information, managers can hardly be expected to measure up to their responsibilities.

There is a zone of sensitivity, however, in this category. Managers are interested in things over and beyond formal information. They want to know about each other—about existing management attitudes, the personal health and drive of other men, criticism, committee actions, interdepartmental rivalries.

They'll also try to find out about new or revised policies, the dominance of one major function over another in the company, plays for authority, and proposed personnel changes.

It is within this zone that many organizations show tendencies to open up or to clam up unduly. It is generally in the middle management echelons where the splintering of loyalties is found—to the formal organization, the informal cliques, to the profession, and to one's personal aspirations.

Who wants to know and why

Some executives want to know about developments because they feel such knowledge is essential in discharging their responsibilities. Others want informa-

WHEN TO TELL SECRETS

continued

tion to do their office politicking. Still others seek information because to them being in the know is a sign of status. There are those who want to know what goes on elsewhere because it introduces an element of drama into otherwise unexciting activities.

The real issue for the company is not so much the question of who wants to know but more effective discrimination as to who should receive information.

A company should pinpoint those—

. . . who *must* know

. . . who *need to* know

. . . who *ought* to know

There are some who must know as soon as possible —to exert their influence on a situation, issue guidelines, make decisions, commit funds, or perform some other vital duty.

There are those who need to know, now or later, because the information is related to their performance and accountability.

A company also should be aware of the man who ought to know—because of the relationship of his work to that of others, for improved coordination, for filling in during the possible absence of an official, or at times for reasons of morale.

It is not enough that individual managers or supervisors want to be posted on what goes on. A company has to differentiate between general and critical information, between now or later. The test has to be, mainly, the authority-responsibility-accountability attached to a man's position and the utility of the information to him.

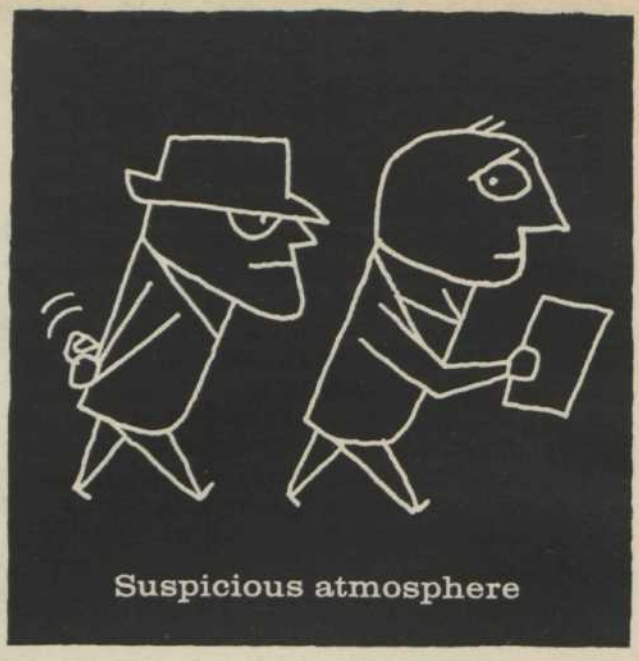
Keeping it confidential

Just what is meant by keeping it confidential will vary.

This generally means keeping the information within a closed circle, delaying disclosure, reserving the authority to divulge or not to divulge, or even to keep certain information privileged or secret.



Plug all leaks



Suspicious atmosphere

It generally does not involve censorship, but it can involve the release of classified information where government contract work relates to the national security.

The reasons for confinement may be varied. They include competitive pressures, issues yet to be resolved, investigations still under way, protection or timeliness. They may be due to specific provisions in a government contract. Sometimes plain distrust of people is the reason. In many instances a tight clamp is put on information because someone recently abused the handling of confidential knowledge.

Sources of leaks

Careless handling of information can be traced to several sources:

The company or its officials.

A particular division, department, or branch in the company.

An individual in your office.

Yourself.

In trying to build an image or capitalize on an event, a company sometimes unwisely authorizes its public relations department or some official representative to release information through the press or from a speaker's platform. In doing so it may disclose information prematurely.

At industrial conferences, executive development seminars, or on other occasions, officials sometimes talk too much.

Within a company a particular department or branch is likely to be the center of grapevine activity. Such a unit—generally under poor leadership—will thrive on a reputation of being in the know. It will seek out, carry, or even manufacture information. It has its own probers and couriers. It is often not even concerned with truth and lets its reputation rest on batting averages.

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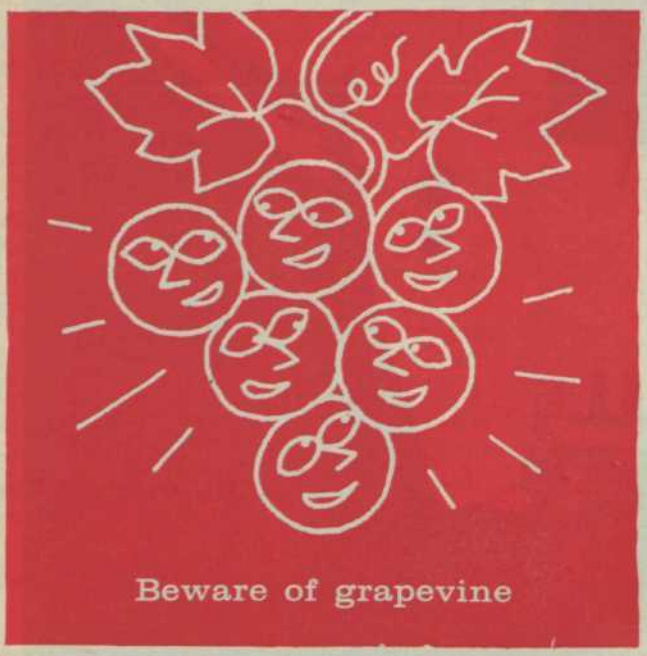
Division of General Aniline & Film Corporation

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customers, vendors, contractors, or local community groups sometimes leak company secrets.

Committee members, especially those whose views do not prevail, have been known to engage in loose talk.

The source of leaks may be an individual in your office—your secretary, personal assistant, office receptionist, a clerk, or even your own aide. Clerical assistants working with mail, files, personnel records, statistical data are possible outlets of confidential information. So are those who have custody of the proceedings or minutes of staff or committee meetings.



Sometimes leaks of information are unintentional. At other times they can be deliberate, unethical actions.

If your clerical assistant or secretary is the source of leaks, cite the risks or consequences, warn her, discipline her if the indiscretion is repeated, and fire her if she persists. If the tendency has spread to other subordinates in the office, tighten up and stay on top of the situation until you're convinced it has improved.

If a subordinate manager or supervisor is the source of indiscretion or misuse of information, you have no alternative but to rap his knuckles.

Then again—you may be the source of leakage. If you are inclined to careless talk or carelessness with papers—take stock of yourself. Consider the interests of the company and your role as its representative, and exercise good judgment and self-control. In an effort to be friendly and build rapport with your people, you may tend to be too chummy, too talkative. Or, it could be your work habits—leaving confidential papers in plain view on your desk, scurrying around with memo or report in hand and in your haste leaving it in someone's office, talking too loud on the telephone, or engaging in indiscreet conversation in the elevator.

Or, it could be your actions away from work, chitchat with a seatmate in a plane or train, with a neighbor in the car pool, or even indiscretion in discussing company matters with your family.

Risks and essentials

An organization has to be concerned with the risks involved and the consequences which may result from abuse or mishandling of information. These steps will help reduce the risks:

There should be a company credo on the significance of communication and a code governing the use of information and the ethical responsibility for its proper handling. The company should also have rules concerning the custody and handling of information, and hold people accountable for observing them.

Surround yourself with people who are not only capable but also trustworthy and discreet—especially associates in your immediate office. It is well to select people on technical competency and ability to get along well. But, the selection process should also focus on trustworthiness, understanding of, and loyalty to, the pattern of communications prescribed by the company and the boss, good judgment and tact, and especially the ability to say no to requests which exceed the boundaries of accessibility.

As individuals are promoted or transferred, they should be indoctrinated in the security and handling of information in their new job. They will be entrusted with new informational sources and will have to be guided in operational processes other than those which prevailed in their former jobs.

Improved office management also is essential. The guidelines and rules should provide a clear understanding about the handling of documents. This also should extend to modernization of safes, desks, cabinets and files. Quality control in office management should reduce the number of multiple copies of materials run off or distributed.

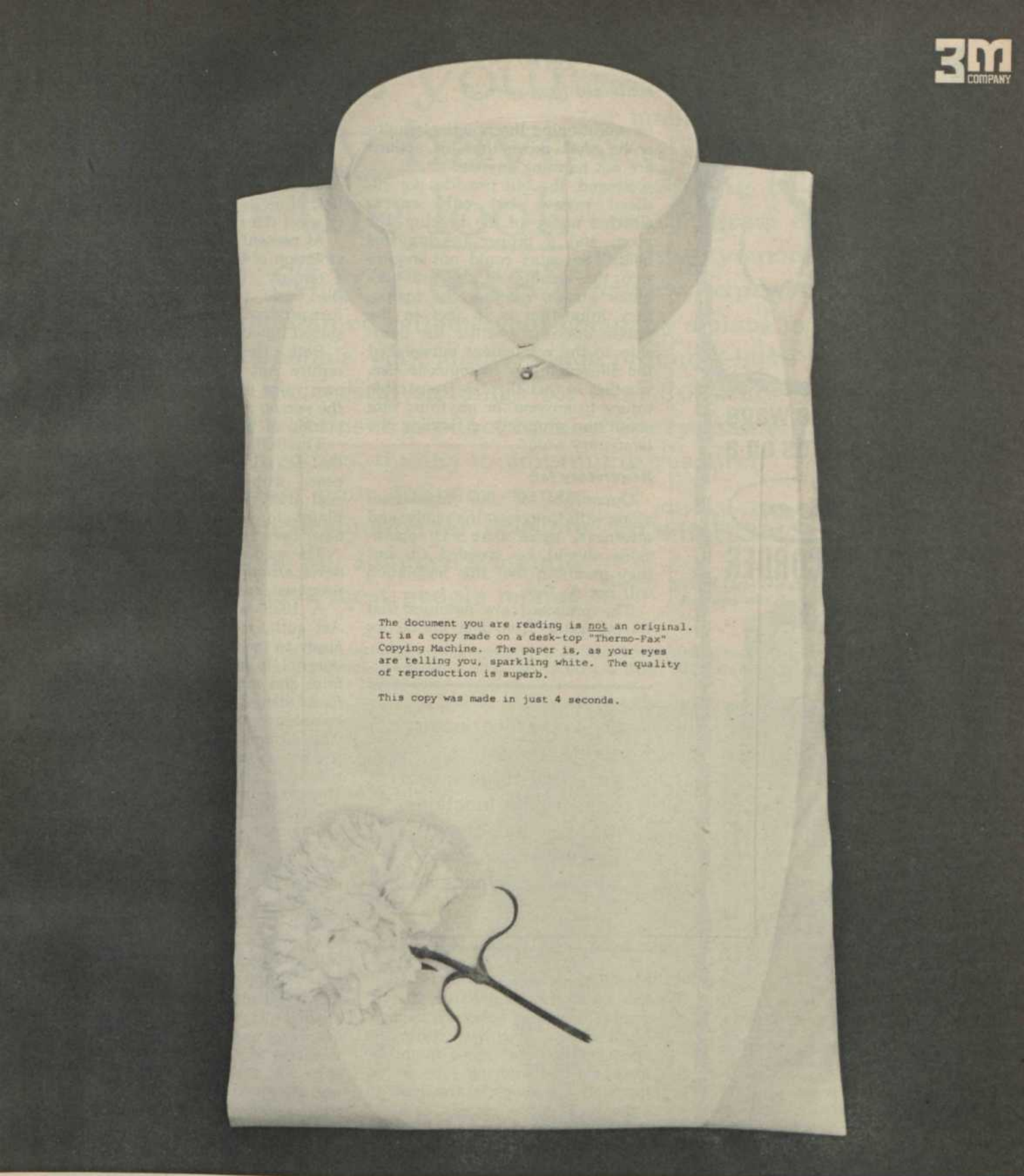
Finally, it is essential to recognize that those in middle management have to know what flows from policy in the way of priorities, programs, financial support, goals, and expectations.

If management-by-results is the cue in your organization, then middle managers and supervisors must be well informed.

All of these are essential, but they do not substitute for the main ingredients—propriety, good judgment, and balance. In the last analysis the company has to exercise judgment as to when to restrict and when to release information. It has to be aware of the consequences if information is released and also the consequences if information is kept under wraps.

—NATHANIEL STEWART

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NEW INJUNCTIONS

continued from page 37

for questioning the practice, whether he must prove that his actions are not harming anyone.

Second, the bill provides for judicial review, but only as to whether notice of the hearing was given and a proper hearing was held. The court could not inquire into the legality of the practices under attack, whether the temporary injunction is in fact in the public interest, whether the hardship to the respondent outweighed the alleged injury to someone else, whether in fact there is irreparable injury to anyone, or anything else about the propriety of issuing the temporary order.

Regulatory lag

Opponents of the legislation, along with Congress, the public and attorneys, agree that FTC operations should be speeded up but they maintain that this legislation will not do that.

The proposed law assumes that the lag results from delaying tactics by defense counsel. In cases where this assumption is not true, the bill would leave the delay untouched. Many delays originate within the agency itself—and these might be increased by removing pressure on the staff to complete the case in order to obtain a remedy.

Even more dangerous—both to the speeding up of cases and the whole philosophy of judicial procedure—is the obvious possibility of cynical misuse of the injunction. Issuance of an order to cease and desist would provide a powerful incentive for delay by the agency itself. Since the temporary order would, in effect, provide the sought-for remedy; and since no thorough judicial review would be possible until after completion of the case, there would be every incentive to begin cases and never complete them.

U. S. may face doctor shortage in future if government takes over more health functions, medical students warn. Results of nationwide survey are on **page 34**

Verdict without trial

In court proceedings the party seeking a temporary injunction must demonstrate the need for relief, while the defendant must merely meet the issues so raised.

At present, the FTC must prove a violation of law before it can apply a remedy. This is consistent with the basic principle of American jurisprudence that a person is presumed innocent until proven guilty.

Both the Administrative Procedure Act and the Commission's own rules of practice provide that the person seeking relief carries the burden of proof.

This bill, however, would require the defendant to prove his innocence—within a relatively short period after the issuance of the complaint—to charges which may never have been specified in detail.

The FTC already has, but almost never attempts to use, much of the proposed authority.

A 1938 amendment to the FTC Act authorized the Commission to apply to the district courts for temporary injunctive relief against false and misleading advertising of foods, drugs and cosmetics pending completion of Commission actions. The Commission has similar authority under the Wool, Fur, Textile, and Flammable Fabrics Acts. However, in more than 20 years, FTC has rarely applied for such injunctions.

Moreover, for 47 years the attorney general and injured private parties have had the right to seek temporary injunctions against violations of the antitrust laws, including the Robinson-Patman Act which prohibits price discrimination. While the attorney general has frequently used this authority against allegedly illegal mergers, he has never used it against an alleged violation of Robinson-Patman. Despite this fact, this measure is frequently justified as a necessary FTC weapon against unlawful price discriminations under Robinson-Patman.

Critics of the proposal point out that the constitutionality of the administrative agency as a creature of Congress has been sustained in the past in large part because its orders were subject to full court review. Requiring that the courts enforce orders, the propriety of which they cannot review, suggests that this proposal may be unconstitutional. **END**

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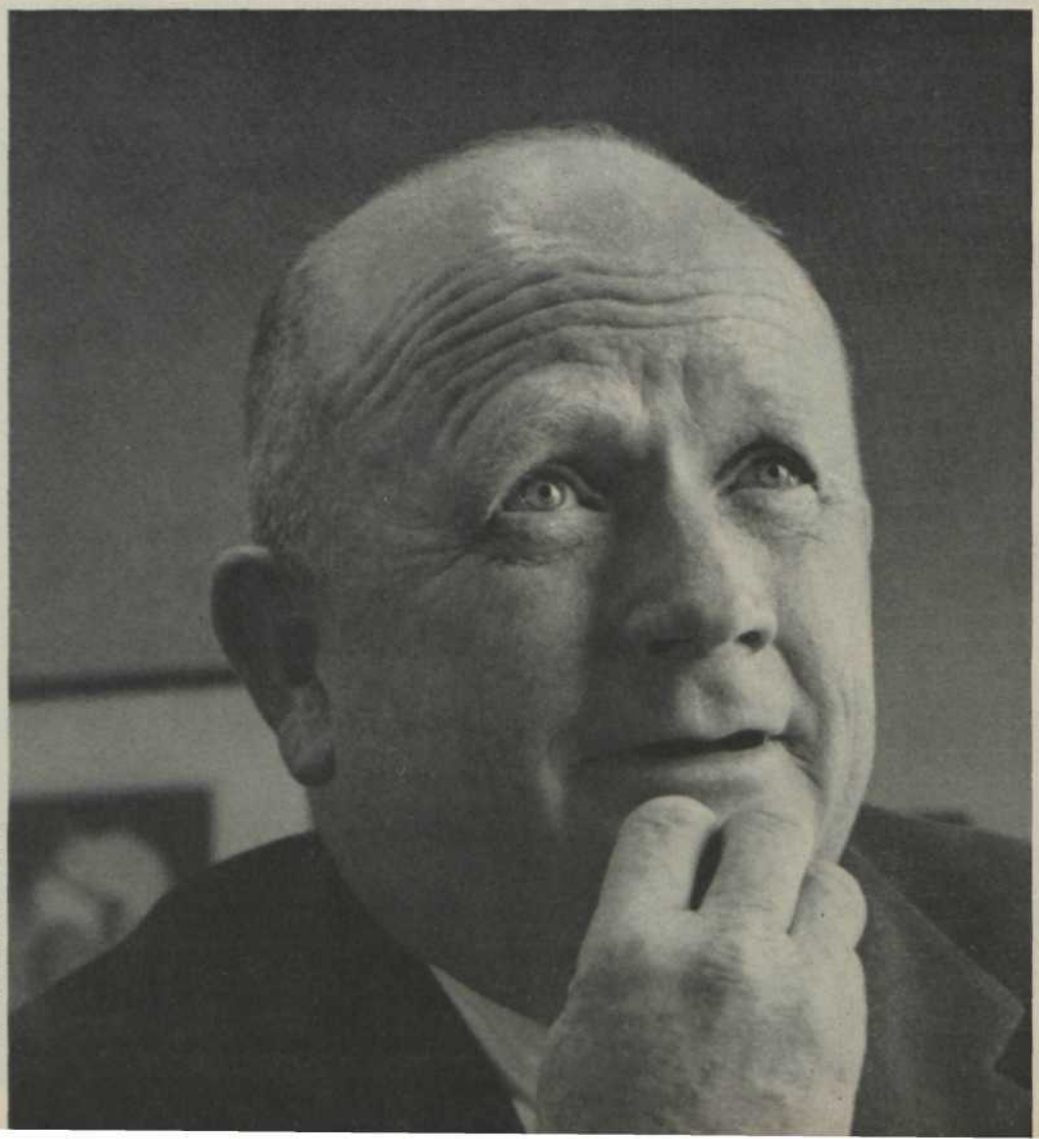
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THE PUBLIC INTEREST
WHO CAN JUDGE IT

Political leaders may not be best qualified to define economic and social needs, says Dean Courtney C. Brown of Columbia University's Graduate School of Business in this interview



JOE COVELLO—BLACK STAR

"IF WE EVER begin to look to our politicians as being the sole custodians of the public interest, democracy is through."

This is the view of Dean Courtney C. Brown of the Columbia University Graduate School of Business.

In this exclusive NATION'S BUSINESS interview, Dean Brown explains that there "is no delegation of authority to define the public interest to a man you elect to public office."

An elected official, Dean Brown says, can provide counsel and give leadership but he is not the custodian of the public interest.

Dean Brown is a native of St. Louis. After graduation from Dartmouth College he spent 10 years in investment management work in New York, then took his doctorate and became a teacher at Columbia University. He served three and a half years with the U. S. Department of State and the Commodity Credit Corporation.

His business experience includes service as assistant to the chairman of the board of the Standard Oil Company (N. J.). He also has been a director of the Esso Standard Oil Company, and is now a director of the American Electric Power Company, Associated Dry Goods Corporation, the Union Pacific Railroad Company, Uris Buildings Corporations, and a public governor of the New York Stock Exchange.

Becoming dean of the Graduate School of Business in 1954, he has served for interim periods as vice president in charge of the business affairs of the university.

In this interview the dean answers questions on the changing environment of the corporation, the adequacy of profits, the implications of the profit motive for the future, attempts of government officials to set guidelines for wage settlements, and other questions of importance to businessmen.

Dean Brown, where does the public interest as a factor influencing business decisions start and where does it stop?

It doesn't start and stop. It is impregnated in everything that is done in the front office of a major corporation. I would put it this way:

Every institution in a free society, whether it is a business institution, a religious institution, a political institution, will survive and prosper as long as it is performing a public service. When it ceases to perform a public service, it will not be long before the sanction is withdrawn.

The Kennedy Administration has emphasized the responsibilities of business to the public. What do you think is the meaning of this?

I have never been fond of the words "responsibilities to the public." To say that businessmen have a separate set of responsibilities is confusing the issue.

I believe that businessmen have special opportunities to achieve useful service for the public and at the same time to serve the interest of the organization with which they are associated. Simply by finding the harmony between the genuine public interest and the long-run healthy development of their organizations—that is the aim.

There has been an assumption for many years that the immediate interest of the business organization is identified with self-seeking and therefore cannot be easily related to the broader interests of the public. It follows from this that the only reliable interpreter of the public interest would be government officials. I seriously question if this is so.

There is no delegation of authority to define the public interest to a man you elect to public office. He can provide counsel, he can give leadership, but he is not the sales interpreter or custodian of the public interest.

If we ever begin to look to our politicians as being the sole custodians of the public interest, democracy is through.

I would say that the businessman in some respects is in a better position, perhaps, to interpret the basic needs of society if—and this is an important "if"—he is convinced that in the long run the profitability of his enterprise will be maximized if it operates within the context of the public interest.

This, I believe firmly, is so.

Is this concept growing?

I think so. I think it is growing primarily because the modern corporation is an organization of indefinite life. The management of the mod-

"There is no delegation of authority to define the public interest to a man you elect to public office."

"Every institution in a free society will survive and prosper as long as it performs a public service."

"If profits are inadequate to replenish our capital we may as well forget all of the bold talk about rates of growth."

ern organization is far more interested in its healthy long-range development and growth than in immediate profits.

The chasing of a quick dollar is almost unthinkable in corporate behavior, if it is at the expense of the company's long-run position and interest. Instead of each transaction being separate and unrelated to all the transactions that went before and that will follow, it is only one in a long sequence of transactions, and the maintenance of good relationships with suppliers, with labor, with customers and with the public at large is the corporate manager's most certain means of securing the strength and development of his organization.

Would you describe corporation management as being sensitive to the needs of society?

The corporation is, in essence, an organization that is held together by voluntary associations. Winning the allegiance of people associated directly and indirectly with the corporation is a continuing and demanding task that requires a perceptive understanding of the interest of the public.

I am saying that the public accepts the corporation as a voluntary act and not because it is compelled to do so. When I say "the public" I am speaking of customers. I am speaking of suppliers. I am speaking of all those in the community whose acceptance of the corporation is voluntarily granted.

Do you think the environment of the corporation is changing?

Yes, I do. I think it is changing for several reasons: One, the proprietor manager has substantially passed out of the picture and his place has been taken by salaried officers who are working employes of the corporation.

This has resulted in the development of a growing sense of responsibility for the management of the property. That properly includes the making of adequate profits to secure its financial strength but additionally it includes a realization that corporation management is such a major influence in the total community that actions necessarily extend beyond the immediate sphere of the corporation's affairs.

There is a mass attitude that the merchants of past years were men with greedy motives. Is this now obsolete?

Quite definitely not. I think it is a mistake to think of the corporation as anything but a self-seeking organization. But there is a difference between myopic, narrow seeking of immediate interest and the self-seeking that is related to the long-range healthy development of the enterprise, which in my judgment can be equated with the public interest.

What is the relationship between the need for profits and the long-range development of the corporation?

The long-range development of the corporation and the need for profit are synonymous. The idea that profits are antisocial is sheer nonsense. Indeed, they are the very generator of the abundance that we enjoy in western society. If profits are inadequate to replenish our capital and, indeed, to build our capital, we may as well forget all of the bold talk about rates of growth.

Growth is a function of capital formation. Capital is built out of profits. The profits in this sense are the greatest social dividend that we can have up to the point of being adequate to meet the needs of the community.

Are profits adequate today?

It is doubtful that they are. Their adequacy is hard to measure. The attempt to relate them to the gross sales dollar or to the rate of return on investment is not entirely satisfactory. Profits are a functional thing. They have work to do.

An adequate profit is a profit that is adequate to do the job that profits have to do. That sounds like I am circumlocuting.

The amount of profit that is desirable from the standpoint of the public interest is the amount that will attract or retain sufficient funds to expand productive capacity as the public wants additional output or to reduce costs as competitive forces compel it. The latter is likely to be the most important in the years ahead.

But the amount of profit, which is another way of saying the amount of investment that would be needed, will additionally be measured by the extent to which the cost of capital equipment increases or decreases. And this is not simply a matter of inflation, but also a function of the nature of capital equipment, which is becoming far more complex and therefore more expensive.

If a field of activity is expanding, the return on the sales dollar or the return on investment may look very large, but profits can be inadequate simply because of the need for capital accumulation at a faster rate.

If a field of activity is contracting, profits might look inadequate in terms of gross sales or return on investment but they may be too high in a functional sense because of the lack of need of expansion or new investment.

I would say from the standpoint of the public as a whole, that we have been squeezing profits perhaps more than is good for the nation. We should give consideration to ways of expanding profits in the aggregate.

How do you reconcile the use of the term "squeezing profits" at a time when profits are presumably rising to an all-time dollar record?

Profits are rising at the moment,



> "For some reason there seems to be a public disposition to assume that profits are too high unless they are proved otherwise. This is simply unintelligent."

current returns are encouraging. But, in the perspective of the post-war period, dollar profits have been stabilized more or less after taxes, whereas prices, sales and investment all have risen substantially. A large part of the investment has been paid for out of depreciation and borrowings; of course, some out of the retained earnings, too.

Looking 10 years ahead, how will growth be achieved?

I am not sure this has been thought through. I would hope that a substantial part of it would be financed by expanding profits. For some reason we seem to be losing, in this country, a sense of the important functions, social purposes of profits—just at a time when our principal competitors in the world, especially Russia, are beginning to awaken to the importance of profit and incentive. I think if we are going to get the kind of growth we want and many seem to expect, we are going to have to do it primarily through strengthening our incentives. Modifications of the tax structure and accounting procedures can help but that's only part of the problem.

Do the people, as a whole, regard the profit motive as something in ill repute?

It would be going too far to say in ill repute, but for some reason there seems to be a public disposition to assume that profits are too high unless they are proved otherwise. This is simply unintelligent.

Do you think this public attitude might change in the foreseeable future?

I see nothing that would give me confidence that it is going to change substantially. I doubt if it will be changed by the political leadership. It simply isn't good politics. It is difficult for businessmen to influence attitudes with respect to profits because they cannot avoid the position of special pleader when this is discussed.

The academic institutions are beginning to recognize more than they did a decade or more ago the important function of profits in their teachings, but this is a slow process.

What can businessmen do to bring the public around to accepting the profit motive a little better?

Well, let me say that the efforts that have been made up to this point are not particularly encouraging. It is doubtful that the adding of materials relating to economics in the high school is going to achieve



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very much because the high school teachers are not particularly well equipped as teachers of economics.

I applaud the speeches that businessmen are making with respect to profits, but I am not at all convinced that they are particularly effective and I don't know just how we can get across to the public that an appropriate level of profits, compatible with the aspirations of the community for abundance, is just as much in the public interest as an adequate defense or other more readily accepted public policies.

Would you say that the nation seems to be rather well attuned to a psychology of periodic wage progression?

Yes, I find on every hand that, whether we are talking about wage rates and periodic bargaining or whether we are talking about personnel administration or what, there is a built-in factor of psychology that seems to lead us to believe that just the fact of existence should create additional income increments, whether more is being contributed by the recipients or not.

Is this in the public interest?

I don't think it has particularly hurt the public interest in the past decade and a half but it could be disastrous, I think, in the coming decade unless we can find some way of changing this psychological fixation. The reason for that is this: The world is becoming increasingly competitive. When the last war ended, we in this country had a highly geared production machine. We had relatively high costs to be sure, but we were the only nation that could produce a significant exportable surplus. The rest of the world was flat on its production back, literally.

In the postwar years, through their own initiative and with our help, Western Europe, Japan, other parts of the world have rebuilt their productive capacity. They are now just beginning to produce sizable exportable surpluses, their unit costs of production are in many cases below ours and could fall below ours increasingly—despite the fact that their wages are also beginning to rise rapidly—because they have the latest and most efficient technology as a result of the recent installation of this equipment.

As these surpluses begin to get into the world market, we are going to find it difficult to maintain competitive strength, in my judgment. Now, how does this enter into public policy? I should say that it means that, if we are going to compete without protection, we are going to have to find ways to reduce costs. Much of our new capital investment must be of a cost-reducing nature, just as much as it might be of a nature to increase total production.

The formula of the President's Council of Economic Advisers may not be sufficient. This calls for wage increases proportionate to increases in the rate of productivity change.

I would like to have us pass on some of the increased productivity in lower prices to consumers. Everyone would benefit, including labor, because the existing wage rates would buy more. I would think that national policy at this time could well point toward the distribution of improved productivity through lower prices and expanding profits.

I think if this were the focus of policy, and I readily recognize its political distastefulness, I believe we might get a pretty good balance, because we have this built-in psychological factor of annual increases in both salaries and wages. I think policy moving in the direction that I have just described would tend to tone that down but wouldn't stop it.

Do you expect government policy to move in that direction?

Very little. Well, let me modify that. Very little in the next year or so. The world situation, if it emerges as I expect it will, may compel us to do some of these things.

Do you think that the nation is very badly affected by featherbedding?

I think the question answers itself. You can look at the construction trades, the transportation business, and even the academic business for that matter, and you can see a good deal of featherbedding, up and down the line. It isn't all focused on the wage earner, although there is plenty there, too.

I saw an amusing example as I came out of my apartment a month or so ago.

The City of New York, coming out of winter, found the streets badly potted with frost heaves and other blemishes. The city sent out repair trucks.

There were six people on the truck I saw, one driving, one sitting beside the driver, two stretched out along the front fenders and two in the back. The men on the fenders would spot the potholes. The truck would stop and the men in back would throw some asphalt over the side into the pothole. The man sitting beside the driver would get out, tamp it down, and they would go on to the next pothole. I don't know how long it took them to finish that one block, which had maybe five or six potholes, but I walked on to the office and the six men had made little progress.



> "I would like to have us pass on some of the increased productivity in lower prices to consumers."

You think we could have increased worker productivity without additional equipment?

I think there are places where we can trim fat in practically everything we do, through management efficiency as well as in greater productivity through machinery.

You mentioned the hope that profits would go up in the years ahead. Will this be achieved through cost reduction or by price increases?

Perhaps a little of both, but I

would be surprised if price increases of the magnitude of the past decade will recur. Therefore, I believe that most of the increased profits, if we are going to get them, must come from greater efficiencies and expanded absorption of overhead by expanded production.

I doubt if the world situation, as it now appears, would permit substantial price increases without an increase in protection and we are striving as a nation to get a decrease in the amount of trade protection that exists in the western world.

We are striving to decrease trade protection in order that we can increase our competitive advantage?

I think it is in part that. But it is also, I think, a more enlightened view of trade as a cementing influence among western nations.

As time goes on, would you expect competition from Europe and Japan, particularly, to increase substantially?

This is my expectation. Many students of world trade would not agree with me too readily on this. But I have a feeling that we are going to feel the pinch of world competition more with each year during this decade.

I have great confidence in the business system to adapt itself to this kind of environment. It probably will be painful, but it will be good for us.

Will labor in the future accept lower wage increases?

Well, the strength of labor organizations has not been increasing in recent years, as far as my friends who follow these things observe. Whether the strength of organized labor will diminish, I don't know. I would say that there is a built-in inhibitor toward diminishing demands for wage increases. The labor leader is secure in his job only as long as he is getting something more for the rank and file. So there is this continuous pressure.

In my judgment, this could be self-damaging to the labor movement if the public begins to realize the importance of cost reductions and efficiencies and finds the labor movement working at cross-purposes.

I couldn't say how the thing is likely to work out, but I would say that in several instances, in recent months, there has been evidence of greater moderation. In other instances, there has not been. Maybe the real test will not be with respect to the big national unions so much as it will be in respect to the local



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Want to know where kids get questions like that? Mostly from school. From class discussions. From textbooks. Maybe techniques of education have changed, but our schools have lost none of their considerable abilities to challenge and develop inquisitive minds.

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Oh yes, that space question. Seems that the vacuum of outer space exerts pressure on all heavenly bodies equally. That's why they're not pulled together.

Guess who supplied the answer. Not me.



Pete Progress

Speaking for the local Chamber of Commerce in your community

construction unions, such as the electricians and the plumbers and the bricklayers.

There the national Administration, even if it wishes to exert pressure for moderation, might find it difficult, because it would be necessary to work through local political organizations that may feel completely dependent upon local labor.

There are about 2.6 million construction workers, which is considerably more than we have in the steel industry, and the wages are roughly the same. If construction wage costs go up three and a half per cent, it would seem to me that that would be more significant than if the wages of the steel workers go up three and a half per cent.

I would say that the impact of the construction workers' wage negotiations would be as significant as that of the steel union's. But you have pressure all along the line. You have it in the railroad brotherhoods, you have it in the auto workers—you have it in the steel unions, you have it in the construction workers—I think all of them have influence. It's a question of whether you could expect the other unions to stand by if construction wages were moving ahead.

The steel union or the auto union perhaps gets more publicity, because it's one union and one negotiation, whereas negotiations in the conconstruction industry could creep up on us, come piecemeal, and all of a sudden you have a 20-hour week, for example, for the electricians in New York, a five-hour day for the bricklayers, and so on. That's a local situation, but if it comes in enough local situations, it has a great national impact.

The government has been attempting to set guidelines for wage settlements within the confines of what is called the public interest. What is meant by this?

I suppose it would be the formula of the Council of Economic Advisers—the wage increase proportionate to the productive increase. This is, I suppose, the identification of the public interest simply because it was an official government agency that presented it.

But here again, I am not sure that this is as forceful an expression of the public interest as the situation now requires. This is what I mean when I say that it is not always the government, it might be



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For more information, look in the Yellow Pages under "Radio Communications," or write General Electric Company, Communication Products Dept., Section 5062, Mountain View Road, Lynchburg, Va.

GENERAL ELECTRIC

PUBLIC INTEREST

continued

a cleric, a professor, or even a business spokesman who would perceive the public interest just as clearly if his view is sufficiently long term, because he is closer to the situation. Let me ask you this: Is it in the public interest in the present situation for a local political machine to encourage a construction union to get a 20-hour week?

To what extent do you think the federal government might continue to intervene in labor negotiations, interpreting the public interest?

Whether this activity will increase or diminish will depend on the intelligence of the negotiators on the side of management and on the side of labor. If it is clear that each is seeking immediate self-interest, which may not be their long-run interest at all, they are trying to seek those respective self-interest goals at the expense of the public, then I think you can expect the government to become increasingly involved and it is inevitable that it will.

If, on the other hand, either management or labor, together or separately, thinks clearly about harmonizing its own interest with that of the public, I have confidence that the public support of an enlightened position will make it politically inadvisable for the government to move in to any greater extent than it has.

I don't think it will move as far as it has, because it moved very far in the past few weeks. I think that was a sally that's unlikely to be repeated; or that would be repeated with great reluctance.

Will it be repeated, do you think, on the next occasion when a union is demanding what might be regarded as an inflationary wage increase?

It depends on the circumstances, I think. If it's one of the large national unions, you might find the government willing again to make efforts at moderation and with some success. But as I said a moment ago, the real test of the extent of the government's zeal for the public interest, defined as decreasing unit costs, may come in the local construction negotiations throughout the land. Will the federal government exercise its influence with local political organizations to moderate the construction workers in localities where they, in turn, can punish the local political organization? **END**

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By 1965, this burgeoning insurance firm will be nationwide in fact as well as name! Following a planned timetable, Nationwide is opening offices in five new states in 1962. And whenever it goes into a new state, Nationwide adds to its national Yellow Pages program. "We feel this is especially important to us in new areas where our name has had less exposure," says George L. Hunter, Director of Advertising, at left.

Nationwide has used trade-mark listings since 1950, and currently is running these in over 2,000 directories. But now, with the addition of a National Yellow Pages Service schedule of *selling* display ads, Nationwide is making better-than-ever use of the Yellow Pages! What's more—no matter how many directories used—one contact, one contract, one monthly bill cover the whole "works"—display ads *and* trade-mark listings. Why not call your NYPS representative at your Telephone Business Office, and put this smooth-running, sure-selling service to work for *you!*

Sell your ready-to-buys with



GET YOUR MONEY'S WORTH FROM GOVERNMENT

These yardsticks can help measure need for federal services and their efficiency

WHEN YOU SPEND your money, you have a pretty good idea whether you're getting your money's worth.

When government spends your money for you, it's much harder to measure what you receive.

Government must handle some activities—national defense, for example. But many things can be done either by the government or private enterprise. How can we decide what the government should do?

It may help to consider:

- When government should intervene in the economy.
- How it should intervene.
- How to measure its efficiency.

The value of goods and services produced by business is tested daily. If few people buy, the result is failure. If many buy, success. In addition, prices make it possible to compare costs and benefits.

This system has almost no counterpart in government. Taxes are not paid voluntarily by consumers of government output. Most government services are not sold or priced.

When government should act

No price can be set on some services.

National security is one example. Justice is another. They are clearly the proper sphere for government. From an economic standpoint, we can judge only the efficiency with which they are provided.

Government can also step in when it is not possible or practical for business to produce needed goods or services.

Business, for example, often cannot survive a drawn-out time lag between investing money and getting it back, with profit. A major new highway or waterway generates traffic; it largely creates its own demand. But the process is prolonged. In the meantime, income may not be enough to meet current costs and to get back the investment.

A third case where government sometimes decides to intervene is private monopoly. Many think monopolies charge higher prices than would prevail under competitive conditions. This unquestionably occurs, but not as often as is supposed.

How government should intervene

In the case of monopoly, for example, government sometimes establishes regulation through a public utility commission, or it enforces competition through antitrust laws or creates competition by operating its own facilities, or widens the market to include foreign competitors by reducing barriers to international trade. Finally, the government sometimes takes over the monopoly and operates it.

Before government acts in any instance, it must decide:

Will the interference yield results which are worth the costs? Which policies will produce the best results?

How to measure efficiency

The decision as to whether government will undertake an activity or project is made politically, but

economics can still be used to determine which of the available means will best accomplish the government's purposes.

In general it should use alternatives which operate with and through the market rather than outside of it: regulation, taxes and subsidies—which leave supply and demand free to operate.

There are two reasons:

First, the market reflects individual preferences far better than the ballot box and pressure groups.

Second, the price system, with all its imperfections, coordinates production much better than government budgets and administrative controls.

Although government generally can't judge its operations on the basis of profits, it can apply cost and price principles used in private enterprise.

Among these principles are:

- Benefit-cost analysis.
- Pricing.
- Market simulation.

These principles are being applied to some government activities, but they are not used as widely as they should be.

Benefit-cost analysis

Benefit-cost analysis is a way to measure the ratio between the benefits that will result from an action compared with its total costs. It is a substitute for profitability as a standard of efficiency.

Applying benefit-cost analysis to government operations is not easy because some alternatives are not suitable for such analysis or are not strictly comparable.

When the alternatives are government production of an item, a subsidy to private producers or a major stockpiling effort, it may be difficult to reduce them to a common denominator. Furthermore, intangible benefits and costs influence the choice but cannot be measured.

Costs of alternatives which require no direct government spending are often overlooked. When a military item is produced by government or obtained for stockpiling, the cost is included in the budget. When domestic capacity for producing the item is bolstered by a protective tariff, or by a price differential allowed domestic producers, the cost is not calculated at all. When the industry is given tax concessions, the cost is not entered in any government budget.

The side effects of these alternatives are quite different.

A policy requiring all government agencies to pay a higher price for a product in order to maintain domestic capacity essential for military security imposes costs which properly belong in the Defense Department on other departments. On the other hand, Defense Department stockpiling or direct production does not have these side effects.

There is no reason why costs of most alternatives could not be estimated. Dollar figures for subsidies and tax concessions would be relatively easy to estimate. The costs of tariffs and quotas would be more difficult but even the roughest estimate by informed and impartial sources is better than no allowance for cost at all. Benefit-cost analysis would help avoid such pitfalls as:

1. Failure to consider alternatives, particularly when they are under the jurisdiction of a different department, or happen to be private rather than government alternatives.

2. Undue exercise of imagination in listing indirect and intangible benefits. This fault is common among executive agencies, for it helps justify projects.

3. Double-counting of benefits. For example, in navigable waterway improvements, the total expected gain in traffic for the system may be counted as a benefit for each separate section.

4. Neglect of side costs and benefits. This is likely in a multipurpose river valley development scheme.

5. Improper comparisons of public projects with alternative private projects. Private projects pay taxes which public projects do not pay; financing of public projects by taxation involves indirect costs.

Additional taxes have harmful effects on work, savings, and investment incentives or capabilities.

Unduly low interest rates are often used in figuring the cost of public projects. The proper interest rate should take into account the private channels from which capital is diverted, and the interest rates they would have to pay for long-term borrowing.

Economic choices are not the business of the government official alone. Sooner or later, his decisions must be judged by the voters no matter how indirectly. Benefit-cost analysis could result in a better informed public.

The citizen feels costs mainly through taxes, and benefits through government services, federal payments and the like.

Efforts to improve public knowledge should be balanced. If too much effort is concentrated on making the citizen aware of his tax burden, or on making him appreciate benefits, his decisions will be biased.

To the extent possible, his bill for taxes earmarked for specific purposes should be accompanied by information on the benefits he is receiving in return, or at least with an allocation of the revenues from this form of tax. This is feasible with some state and local taxes.

When benefits can be allocated to individuals, government could consider covering at least part of the costs by pricing rather than taxing.

Pricing

Pricing of government-produced services has several possible advantages over providing them free of direct charge.

First, it allows those who receive the direct benefits to bear part or all of the cost, thus reducing or eliminating the need to finance them through general taxation.

Second, it helps to determine whether current capacity for producing a service is economically justified and, if it is, whether additional capacity should be provided.

Third, it is one means of measuring benefits.

Finally, from a political standpoint, pricing of services limits local pressure for federally financed public works.

The pricing problem is not just one of government versus private services. It exists also within the government. Individual congressmen, for example, do not have to pay for official mail service performed for them by the Post Office. If they did they might find that they are overusing the mails.

What price should government charge for those services which can

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YOUR MONEY

continued

be sold? There is no single answer. Such government services as education have as one objective some equalization of income distribution or of educational opportunity. So the price is lower than economically justified.

Even from an economic point of view there is no single answer. Pricing at marginal cost, that is, at the additional cost of providing an additional amount of the service, is the best policy from the viewpoint of best use of existing fixed capacity. In the case of a museum, or a waterway, or a recreational area, the marginal cost approximates zero; hence the price should also approximate zero.

On the other hand, marginal cost pricing is no guide for additional investment, nor does it test the justification of existing investment. Average cost pricing does this; it also tests the wisdom of replacement or expansion.

The bulk of government services, of course, cannot be sold directly to consumers. But careful examination will surely reveal many areas where pricing possibilities are neglected. Pricing also is a useful accounting device for intragovernmental transactions.

Market simulation

Government buys materials, products, and labor services from the private economy, just as any business firm must do. Efficiency and economy dictate that government should obtain as much value as possible for the taxpayer's dollar.

Yet government does not always try to do this. In fact it is precluded by law and by administrative orders from buying economically. It must buy at fixed prices in order to redistribute income to farmers or to stimulate mining, or buy from special classes of suppliers to help small business or depressed areas, or to prevent monopoly.

The Defense Department, for instance, must keep many guidelines in mind in addition to economy. These include the Buy America Act, the Buy Canadian program, offshore buying, nondiscrimination, conservation of critical materials, development of multiple sources of supply, encouragement of subcontracting, provision of adequate bid-time, geographical dispersal of contracts, aid to depressed areas, aid to small business, utilization of available capacity, integration of procurement with mobilization planning, avoidance of concentration of economic power.

Even within these numerous limitations, economy is possible.

There is much featherbedding in government. Rural Free Delivery routes, designed many decades ago for horse and buggy service, can now be covered in much less time than when the routes were planned. Yet consolidation of these routes proceeds far more slowly than if costs and benefits were priced. The civil service salary schedule does not have the same differentials by skill, ability, and experience found in business. Not enough of some kinds of labor is employed and too much of other kinds. Turnover rates for some types of jobs are wastefully high, and for others wastefully low.

Many other possibilities exist which could be exploited. The competitive market structure, for all its shortcomings, is still the best available guide.

Attempts at simulation of business operations have been made extensively in the Defense Department through the use of stock and industrial funds. These funds, by pricing their supplies or products, are intended to induce military users to economize in their use, and to seek cheaper substitutes. Rationing by simulated market prices leads to improved allocation. The use of business-type budgeting, showing profits and losses, promotes economy in purchasing and efficiency in operation of the funds.

Although such attempts to simulate market forces have important uses, they also have obvious limitations. The sale of military clothing to troops who are allotted a clothing ration is one thing; similar economy in buying and using ammunition is quite another. The purpose of military action is to win a victory, not to economize on ammunition.

Furthermore, providing the mechanics for economizing is not enough; there must be incentives to economize. If decision-makers do not profit from efficient use of resources, nor suffer from waste, they will not be likely to try very hard. The approval or disapproval of the boss, the chances of promotion, can be incentives with or without market simulation.

Even under conditions which rule out market simulation, performance criteria can be devised to exercise a healthy restraint on bureaucratic elephantiasis. **END**

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MB-6

COLD WAR

continued from page 33

we do not do better than 4.5 per cent on the average, and this should be a fairly comfortable rate, the Soviet Union is not going to narrow the margin between us by much during the next decade. At these rates, the USSR in 1970 would be producing about 48 per cent as much as we are, as against 44 per cent today."

U. S. weaknesses

With such substantial advantages, how could the United States fail to outlast the Soviet?

Excessive federal spending is a threat frequently cited. Sen. Harry F. Byrd, the Virginia Democrat who heads the Senate Finance Committee, warns that continued federal deficits will inevitably undermine our country's strength.

"Is it possible for us to destroy ourselves from within?" he says. "Every American should ask himself that question. Nothing could serve Khrushchev better. Neither our form of government nor our system of enterprise can survive insolvency. All of us know that we cannot continue much longer to spend and spend, tax and tax and borrow and borrow."

Mr. Byrd's Committee is conducting a thorough scrutiny of the government's financial condition. Last January, the Administration requested that the federal debt limit be raised from $298 billion to $300 billion. Congress granted this to assure that the government could pay its bills. Now the Administration is seeking to raise the ceiling again—this time to a record $308 billion.

"Such a situation must be regarded as a sign of danger," Senator Byrd says. "Before we make any further increases I think the country should be told exactly where we stand financially."

He points out:

"There was a federal deficit last year of $3.9 billion. There will be another deficit this year, ending June 30, of $7 billion to $10 billion. This would be a two-year deficit totaling $11 billion to $14 billion.

"The Administration is now estimating a nominal surplus in the fiscal year beginning July 1, but the current rate of increase in federal spending clearly indicates that another federal deficit is forthcoming.

"Under these circumstances there is a real threat of renewed inflation. We have run deficits in our balance of payments with foreign countries for 10 of the past 11 years; and we have syphoned one third of our gold abroad."

The balance-of-payments deficit represents another factor which could weaken America's ability to outlast the Russians. Economists agree that we cannot indefinitely send more dollars abroad than come home.

The deficit arises not because our exports lag behind imports—the balance of trade has run on the average about $5 billion annually in favor of the U. S.—but because our surplus of exports over imports is not enough to cover our spending in support of the free world's defense and economic development.

Nevertheless, increased exports are generally considered to be the long-range solution. This is one of the Administration's arguments for the Trade Expansion Act, which would permit the President to lower barriers to imports in return for less restrictions on our exports.

Your choice of college graduates to fill jobs could be restricted by new government plan explained on page 54

"It is an opportunity," says U. Alexis Johnson, deputy under secretary of state, "to show that the free economies of the European Economic Community, the United States, Canada and Japan can, in an open competitive trading system, maintain and increase the enormous lead which they now have over the closed system of the communists. It is an opportunity to accept and throw back the challenge of Premier Khrushchev when he said: 'We declare war upon you . . . in the peaceful field of trade. We declare war; we will win over the U. S.' "

Communist trade and aid

Soviet trade and aid is put in perspective in a special report to NATION'S BUSINESS by the Economist Intelligence Unit of London. It says:

The free world trader is hardly menaced by the Soviet's trade turnover with the underdeveloped countries.

The discussion of a Soviet trade "drive" in noncommitted countries since World War II is no doubt correct, but the results achieved so far are meager.

It is certainly premature to talk of Soviet competition, with Soviet exports to the underdeveloped areas equal to a twentieth of those of the U. S., and Soviet trade absorbing perhaps one or two per cent of the turnover of the underdeveloped areas as a whole.

Nor does Soviet economic aid compare with free world aid. The total promised to date is about $3.6 billion, but barely $1 billion—if that—has yet been used. The satellites and Red China have contributed another $400 million or so. Yet in 1960 alone the free world provided $8 billion to help developing nations. The U. S. share was $3.8 billion.

The Economist Unit sums up:

1. The fact that Soviet trade and aid are still so insignificant implies great possibilities of development, but the threat to western exporters should not be exaggerated.

2. The western exporter has more and better goods to offer—and he knows more about selling them.

3. Some of the communist competition will not seem fair to westerners. Some prices will be tailored to political ends rather than governed by economic considerations.

4. By western standards the communist bloc itself is still largely underdeveloped and much of its resources must be devoted to building up its own economy.

The United States also has opportunities to prove Khrushchev wrong by shaping domestic policies to provide more economic strength.

"If the American people demand that their federal government pursue policies to raise the efficiency of the U. S. economy across the board," says Dean Neil H. Jacoby of UCLA's Graduate School of Business Administration, "the 1960's can mark the greatest decade of economic progress in our history.

"By revising rather than by enlarging its role in the U. S. economy, government can enable our country to continue its technological and industrial leadership of the world."

What U. S. needs

Some of the problems and solutions are:

To achieve full prosperity, business capital investment needs to

attain a rate of at least $45 billion in the fourth quarter of this year. That's almost 15 per cent above the amount indicated by current trends in investment planning.

Industry faces the task of creating jobs—with the cost estimated at between $20,000 and $25,000 per position.

It has done a remarkable job in the past. However, under present tax laws the future is uncertain in view of the more than 1.5 million workers estimated to be entering our labor force annually in the next decade.

The persistence of the profit squeeze has hampered business growth in recent years.

"Heavy taxation of personal and corporate incomes is reducing productive effort, diminishing savings, and distorting investment," says Dean Jacoby.

"Thus, it is impeding the progress of the U. S. economy.

"At the minimum, we should reduce the corporate income tax rate, bring down progressive personal tax rates to more realistic levels, and make more adequate allowances for the depreciation of business assets."

Advocates of big government, according to Dean Jacoby, have failed to demonstrate the need for the relative enlargement of federal government at the expense of the private sector.

Have they considered, he asks, the large amount of wasteful current federal expenditures which should be directed into productive, growth-promoting channels?

How we answer such questions may be the key to the outcome of the cold war.

Mr. Trezise puts it this way:

"The Soviet system, within its limitations, clearly is capable of generating large amounts of economic power.

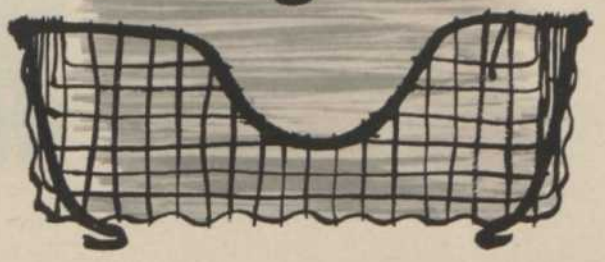
"If we were to be complacent enough and shortsighted enough, the performance of the communist system might bring it within much closer range of our own, at least in terms of raw power.

"If we do tolerably well, we can stay fairly comfortably ahead of the Soviet Union. The prospects are, however, that we will have the opportunity to do a good deal better than tolerably well.

"In that event, we and our friends might even run away with the game.

"What happens is going to depend largely on alternatives that are easily open to us. The problem is to choose the right ones." **END**

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Are you an opportunist?

Executives who get ahead have these traits in common

WOULD YOU be willing to uproot your family and move 3,000 miles to take a new job?

If your answer is "yes" it's a good bet that you possess one of the characteristics which distinguish men who achieve important things from those who do not: ability to recognize and act on opportunities.

The part that opportunistic behavior plays in executive success was identified by Dr. Thomas R. O'Donovan, associate professor of management at the University of Detroit, in a two-year study involving employes of major companies in the automotive, food and business machines industries.

The object of Dr. O'Donovan's study was "to discover a pattern that would tend to differentiate achievement levels in an organization." He interviewed 40 middle-management executives, 40 first-line supervisors, and 40 nonmanagerial personnel. The average age of all men interviewed was 45.

He found that men in nonmanagerial jobs tended to have a "don't rock the boat" attitude. They displayed unwillingness to take risks or move to distant geographic areas for new employment. This was in decided contrast to middle-echelon managers.

Another point on which the executives differed from the nonmanagerial (and to some extent the first-line supervisory) group was the way they considered alternative ways of doing things. Most executives, Dr. O'Donovan discovered, weigh several possible courses before deciding what action to take. Nonmanagers generally prefer to stick with the established way of getting things done.

From his research, Dr. O'Donovan devised a test for NATION'S BUSINESS (see opposite page). The test will enable you to measure your own facility for recognizing and acting on opportunities.

Little has been written on opportunism in executive behavior. Dr. O'Donovan attributes this to an understandable reluctance to explore a subject which might appear to smack of back-stabbing.

However, he sees no necessary conflict between moral conduct and opportunism.

"One does not have to hurt someone else to benefit himself. In fact," he says, "if a person does seek his own gain by hurting others he may put in danger the very elements that make for successful opportunistic behavior."

An opportunistic person, by researcher O'Donovan's definition, is "one who maximizes his position in any situation where he could gain or lose." Practically all executives are in this category, he explains.

What are some specific traits of the opportunist, in addition to a willingness to assume risks and seek alternatives?

He is not a conformist, but he knows when to conform.

He lets others take the first step in cultivating dubious opportunities.

He always leaves himself an avenue of retreat.

He is creative, an idea-generator.

He adopts planning as a philosophy.

He has the social awareness to align himself with influential individuals and to work effectively with people.

Some of the best opportunities you'll encounter, Dr. O'Donovan says, arise from what appear to be problems. In fact they often are just that.

When a business is expanding or retrenching, he says, "policies, personnel assignments, controls and power centers are in flux" and the alert manager enjoys unique opportunities to innovate. Similarly, a company crisis—such as sudden consumer rejection of a product line—offers the opportunist a chance to come forward with solutions.

The executive who wants to increase his ability to recognize and act on opportunity should remain constantly alert to his surroundings, Dr. O'Donovan advises.

"Since opportunities are not usually in overabundance," Dr. O'Donovan concludes, "they must be seized one by one as they appear. In this way, we maximize our purchasing power with existing income, maximize promotion within our firm, and set in motion the kinds of circumstances that tend most to lead to the life we have planned. No one can sit still. We are either moving forward with opportunities, or backward as achievements are passed up."

TEST YOUR ABILITY to grasp opportunities by answering each of the following questions "yes" or "no." The more questions you answer correctly, the more adept you are in recognizing and acting on opportunities. (For answers and comments, turn page.)

Yes No

1. When a key subordinate recommends one course of action to solve a problem, do you take that recommendation under advisement?
2. If you were nominated vice chairman of a local charity drive, and your company allowed such activities but did not actively encourage them, would you accept?
3. Have you lived one or more years in at least two different states since graduating from high school?
4. Have you had any advanced training or education beyond high school?
5. Have you managed subordinates, full-time, before reaching age 27?
6. Have you worked for more than five organizations full-time since you began your career?

Do you agree with the following statements?

7. Who you know is more important to long-run business achievement than what you know.
8. A good man in a dead-end assignment has a better chance for significant promotion than a mediocre man in a highly dynamic assignment.
9. The man with a tendency toward conformity is hindered more in achieving promotion than the individual who constantly seeks security.
10. Since many people in the lower levels of business today do not desire increased responsibilities, competition for promotion is much less than most people realize.
11. There is a greater shortage of people skilled in technical ability than in managerial ability.
12. The effective supervisor tends to identify more with his subordinates than with his associates or superiors.
13. Nonmanagers value money more than authority, while management people tend to seek more authority rather than salary increases.
14. A person should not do more than his job description allows because this might anger his superiors.
15. A manager should not develop his subordinates too well because one of them may take over his job.
16. Promotions should in no way depend on the individual's length of service.
17. Managers' job duties should be completely spelled out in writing.
18. Executives should try to surround themselves with satisfied subordinates who have no complaints.
19. Luck plays a major role in promotions.



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ANSWERS TO "OPPORTUNITY" TEST ON PRECEDING PAGE

1. No. If the subordinate tends to offer a single alternative to all problems, many opportunities for more efficient solutions may be curtailed. You could answer "yes" if you mean that you will take the recommendation under advisement while your subordinate is gathering additional choices.

2. Yes. Many firms don't actively encourage such participation, but they definitely support it. In addition to the advantages that the charitable organization would derive from your services, advantages come to you, and to the public image of your company.

3. Yes. Research studies indicate that executives tend to have a greater geographic mobility than others, who may change jobs, but not locations, more often.

4. Yes. A college education or executive development training creates more opportunities. In recent years, the extent of education and training has tended to vary directly with the occupational level of the individual. In the future, it is likely that even greater numbers of people occupying high positions will be college-educated.

5. Yes. The opportunity of being a member of management creates further opportunities for advancement. Study findings reveal that executives entered the lower management level, on the average, at age 26. The average age that the lower managers entered was 33.

6. No. In most cases if an individual has reached the end of his potential at a particular firm, then he should look for a new position at a different company. But excessive job-hopping restricts opportunities. Research shows that generally executives changed companies less frequently than those in lower occupational levels.

7. No. In the short run, high-level contacts can be useful. In the long run, there is no substitute for competence. Though it is difficult to define competence, it is well known that excessive use of social manipulation restricts advancement.

8. No. Certain jobs are dead-ends, while others are steppingstones to higher positions. These strategic subareas must be identified by individuals seeking promotion. They constitute ripe opportunities.

9. No. Anyone who constantly seeks job security is handicapped by tunnel vision. Most individuals who capitalize on opportunities are, at the same time, conforming to the general requirements, both social and technical, of their organization.

10. Yes. Many people fail to recognize opportunities because they have an inclination for security.

11. No. Evidence shows that one of the greatest shortages today is managerial manpower willing and able to take on added responsibility.

12. No. Some research studies have suggested that this statement is true. However, other observers have noted that the administrator should not identify more with either his subordinates or superiors.

13. Yes. A person should not get the reputation of being excessively money-conscious. Increased salary usually follows increases in authority although much of the time there is a lag.

14. No. More opportunities exist beyond stated or implied job-description limits than within such limits. However, risks must be taken only in proportion to expected gain.

15. No. Developing others is one of the most successful methods of self-development and advancement.

16. Yes. The key word here is "depend." The importance of length of service in promotion tends to vary inversely with the level. In blue-collar and in many white-collar nonsupervisory positions seniority is more significant for promotion than in managerial levels. Executives tend to have longer service within a firm than lower managers. However, their promotions rarely depend on length of service.

17. No. Attempting to write out completely the job duties of each manager would severely restrict his opportunities in most cases.

18. No. Dissatisfied subordinates can be a key source of opportunities to the perceptive superior. It is not a useful goal for any manager to achieve a situation in which subordinates never complain. However, excessive complaints and dissatisfied subordinates can have a damaging effect.

19. No. Some opportunities are fortuitous, but the majority of them are earned through careful career planning. **END**

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2) *"If you were to make a personal investment of $5,000 in securities, which three of the above firms would you consider?"*

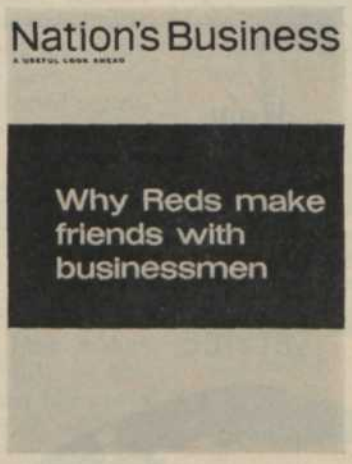
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JUSTICE

continued from page 41

must be impervious to pressures, either good or bad.

5. That, the facts having been ascertained, justice applies to them the intangible belief drawn from deep in men's consciousness that right should prevail, every man receiving what is his due, no more and no less.

Of course, while justice is frequently achieved, it is never fully achieved for long periods or inevitably. It is an objective worthy of maximum effort and devotion. Justice must be guarded against those who—no matter how high their purpose or popular their cause—would remove its safeguards for convenience or presumed efficiency.

Justice is both delightful and horrible. To the violator, justice means deprivation—even death. To the violated, justice means restoration of that which was taken, or compensation in lieu thereof. Except that, if the taken thing is irreplaceable or uncompensable, justice may be restricted to impositions upon the violator. At any rate, justice is not mercy, nor any synonym thereof. Justice is frequently harsh, often inflexible, devoid of sympathetic deviations.

In this complex of concepts, beginning with primitive tribes and extending down to the civilized present, in certain classes of violations of the rules, the group (be it the tribe, the state, the people) has been substituted in the processes of justice for the individual violated. Thus, among primitives, homicide depleted tribal strength and so was an offense against the tribe. In modern times certain specified violations of the rules are deemed to be against the peace and dignity of the community, and the wrong done the violated individual is submerged.

The identity and nature of the authority by which the rules which fix the lines of justice are proclaimed have always been a crux of controversy. In earlier times it was the tribe en masse. Then came limited groups, called elders, or a similar name; then kings, asserted to be the delegates of divine authority; then inheritors of name or position.

Law by the people

Now, in our country and our time, the people themselves, the whole people, assert the right to declare the rules, acting through agents selected for the purpose. But the administration of justice poses more and even greater problems than does the content of substantive justice. Some sort of process or procedure must be gone through in order to apply a general rule to a certain specific act, transaction or person. And however justice is defined, it must proceed from factual truth. The thesis of justice does not permit a man to be punished for something he has not done, or require him to repay that which he has not taken. Throughout the world's history man has sought for a way to discern the truth as to facts, and thus far he has not wholly succeeded in finding one.

Some 16 different legal systems are said to have existed in the world since history began. We shall refer briefly to a few to illustrate the variety of the background from which our American heritage comes and how gradual but how persistent its development has been.

"I establish law and justice in the land," wrote Hammurabi, king of Babylon, in about the year 2250 B.C. And translatable cuneiforms support the assertion.

The oldest records of a legal system are those of Egypt, which go



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back beyond 4000 B.C. The king was sole legislator and supreme judge, but he was assisted by a vast court of many judges. Throughout much of this history sessions were held every day in the great hall of justice. No complete treatise on this system remains, but its characteristics are fully shown by excerpts of various sorts. What would be deemed a high sense of justice even today was exhibited.

The Egyptians had written pleadings but no professional advocates. Their procedure included a complaint, an answer on each point, and a reply and a second answer. The judges, at times 30 in number, then discussed the matter and gave judgment. There were no speeches; the Egyptians believed that the bare facts produced more correct judgments.

In criminal cases testimony was taken by magistrates who made full reports of the evidence and their findings.

As the Egyptian nation was slowly destroyed by civil war and repeated invasion, until its reduction to the status of a Roman province, so too its legal system melted into the Roman system. Meantime two other civilizations important to our subject came and went.

The Hebrews dwelt spasmodically for some 1,300 years along the eastern end of the Mediterranean. Their justice was both theistic and theocratic. The text of the law was given directly by God to Moses, designated leader of the people. The law itself was in writing, and its core was that greatest of all moral codes, the Ten Commandments. The application of the law was by kings or judges named by God. Originally this was personal justice by the great leader of the people; later by the king. Then this nation developed a legal system and a professional class of administrators.

At the head of it was a Supreme Assembly of Elders, called the Sanhedrin, composed of 71 members. Schools of religious law sprang up and flourished. The rabbis became the law's interpreters. Vast quantities of materials were collected and are preserved in the Talmud.

"An eye for an eye"

The central theme of the Hebrew legal system was a concept of justice. God was an administrator of justice —stern, precise, "an eye for an eye." No formalized proceeding seemed to exist. King Solomon could threaten to slice a baby in two in order to decide its parentage.

When Elijah tested the prophets of Baal and proved them false, he "brought them (several hundred of them) down to the brook Kishon and slew them there." Justice in those days was indeed a stern affair.

At about this same period the Greek people rose and fell in power. With them came a new type of justice. Homer described the process. The people assembled in the marketplace. The parties orally pleaded their positions. The elders of the clan or town, each in turn, announced their views of the proper judgment. The assembled freemen selected the best such pronouncement, and so the case was decided.

This was a secular process, and, although it changed from time to time, it remained essentially democratic. At Athens, for example, a jury list of 6,000 or so was made up each year, and 201 or 501, or in special cases even 1,001 or 1,501, were drawn for a trial. In Socrates's trial 501 juriors voted. Under Solon a trial was entirely by nonprofessionals—no judge to declare the law, no separation between finders of fact and declarers of the law, no special prosecutor, no counsel for the defense in early times (although attorneys were later permitted), no appeal, no deliberation by the jury. In some cases, as in that of Socrates, the jurors took two votes, one as to the guilt and, if that were "yea," then a vote as to penalty.

Over this same period—400 B.C. to 600 A.D.—the Romans developed their system of law and justice. They developed an overwhelming sense of, and attachment for, order and rules and procedures. They built courthouses, developed a professional class of advocates, reduced the great numbers of jurors to a few, wrote codes of law on tablets and plaques. Professional jurists appeared, and gradually they replaced lay juries entirely, becoming for a time unfettered autocrats. It was a Roman judge who could say, "I, having examined Him before you, have found no fault in this man," but forthwith turn Him over to be crucified by Roman soldiers.

Later, under the Emperor Augustus, Roman procedure began to take definite form. A legal science slowly appeared. Written opinions become guides. In about 130 A.D. Julian, the judge, compiled his code of procedure, called the Perpetual Edict, the first known code of practice. Professional practice progressed. Other books of the law came along, such as Gaius's Institutes. Finally, in about 550 A.D., the Emperor Justinian produced his Digest and Institutes. These were

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JUSTICE

continued

compilations, culled from hundreds, or perhaps thousands, of books, the work being done by 17 distinguished jurists. This was the world's first attempt at a written compendium of all the law.

Then Rome and its legal system succumbed to invasions from the Germanic north. Germanic justice was secular and democratic, centered about assemblies of the people at designated places. As these people spread, they acquired elements of other cultures, which in turn they brought to Britain.

The British made major contributions to the cause of justice. Chief, perhaps, was the thesis that law is the supreme governor. The British further advanced the idea, which has older roots, that the facts of a matter should be ascertained in order to do justice in respect to it. From the earliest times, and in all places, factual verity has been an inherent element in the administration of justice. As western civilization progressed, this element has become more clearly defined.

Trial by torture

Some ideas in this regard now seem odd to us. The veriest truth was thought to be a confession by the accused. So confessions were forced by tortures, thus supplying a base upon which to do justice. Notions reminiscent of that thesis persist in some circles even today and among us. Then came the idea that divine interposition would indicate the truth, and the accused was subjected to ordeals of hot iron, of water, or of fire, and if he escaped unscathed it was concluded that his assertions of innocence were truth.

The British never adopted the mob method of mass juries, but they emerged with a jury of 12 picked promiscuously from the townspeople or the countryside. As yet we do not claim to have devised a better method of ascertaining the facts of a contest.

Beginning long before the greatness of the British, and continuing throughout this period, an idea grew that justice ought not only be applied as an ultimate consequence of judgment, but that justice ought to be inherent in the process of achieving that result. Numerous small features slowly made up a major result in the administration of justice. When our nation was founded we went further along this line.

Our forefathers feared tyranny, loved justice, and spared no pains to insure the latter. They established a professional judiciary as independent of all forms of pressure or beguilement as human ingenuity could make it. They guaranteed trial by jury, trial in the place where the offense occurred, the assistance of counsel, compulsory process for witnesses. They forbade compulsory testimony against oneself, unreasonable searches and seizures, excessive bail, and cruel and unusual punishment. They required formal written accusations. They established a presumption of innocence.

In our passion for the unfettered performance of all our prescriptions, we separated the functionaries—separate judge, separate prosecutor, separate defense counsel, separate charging body, separate finders of the facts. All these fragments attested to the concern of our ancestors for justice in its most abstract purity.

Are political leaders best qualified to define the public interest? Leading educator gives his views in interview on page 70

We call our system "government by law." This means that, in governing, we move in two steps:

First, we establish rules, called laws.

Second, we apply those laws to the activities of citizens and government and to their disputes. Our forefathers rejected the system of government by edict of men, for the simple reasons that men are not always good, or intelligent, or benign, or impersonal, and that even the best of men, if unrestrained for a long time, are likely to become tyrannical.

How laws are made

In our system laws are made in two ways. One way is when a group of people elected for the purpose declare, or enact, a rule. This is called statutory law. The other way is when the courts apply a rule so often and so long that it becomes established as the law. This is called the "common law."

The concept of justice enters the process when a law is made. Legislators decide that a man should have only one wife at a time, and a woman only one husband.

Legislators decide that corporations cannot combine so as to create a monopoly. Legislators so decide —or should so decide—because these rules appear to them to be the right, proper, equitable, impartial thing to do, best for all the people and for each one separately. Those decisions settle the question of justice in respect to those problems. Legislators frequently do not realize that they are administrators of justice in a fundamental sense.

Judges must often decide questions as to which no statutory law has been enacted. In that event the judge rules according to what he thinks is right, equitable, without bias, best in the long run. If, after the same problem has arisen many times, many judges have considered the same decision to be the right one, it becomes accepted as a law.

Often a statutory law is flexible. It may prescribe a rule "except in case of fraud," or "unless manifest injustice would result," or "as the court may determine," or "within the discretion of the trial judge." In such instances the court must make its own decision as to the right, or just, thing to do in view of the facts in a particular case.

The theory of our system, where the law itself contains no flexible provisions, is precise and clear. It is that unless the law includes provisions giving play to the concepts of the trial judge justice consists of the application of the law.

If the law says that a premeditating killer shall hang, he gets justice when he hangs. When the law says a will must be witnessed by two persons, the beneficiaries indicated on an unwitnessed paper get justice when they get nothing. When the law says that the first qualified applicant gets a permit or a license, justice is done when the second qualified applicant is rejected.

If a person negligently injures another, justice is done when his property is taken to pay the damages, no matter what poverty for his family ensues. So it is that justice is not mercy, or concession, or advantage, or exceptional purpose.

And the converse is true. No matter how guilty an accused may be, factually or theoretically, if the law is that he not be held or punished, justice is done when he is released. The law may require that

indictment be within so many years, that jurors be unanimous in a verdict of guilty, that coerced confessions not be received. Justice, under our system, requires that these laws be applied.

Infallible judges?

Of course, despite the clarity of the theory, in practice gray areas appear. Many times the meaning of a law is not clear and judges differ in respect to its meaning. In this uncertainty a judge is inevitably propelled by his personal predilections of what is right. Then, too, juries often do what they deem right despite the judge's instructions. But perhaps these rifts in the tight texture of the system are really signs of pliability, a good feature for riding out stormy weather.

As we have already emphasized, the application of justice rests upon facts, and this is the most difficult phase of the process. People lie, and often very skillfully. In our system we make available to civil litigants and to persons accused of crime what we deem to be the best means yet invented for the accurate finding of facts. This is the jury. But even 12 disinterested citizens cannot always discover the truth, and without the facts the administration of justice is uncertain. Perhaps some day we will discover some telepathic process which will unerringly disclose the truth in men's minds; or perhaps we may some day be able to train judges so that their perception of actuality will be infallible.

But meantime the discovery of the guilty and the safety of the innocent rest best with the common sense of the average human being, after hearing all obtainable accounts of the affair in dispute.

Our American system contains no theistic function. Indeed separation of church and state is fundamental with us. But he would be blind indeed who failed to discern in the numerous features of our system, obviously designed for the treatment of the individual, clear reflection of tenets drawn from the teachings of mercy, forgiveness and rehabilitation embodied in the New Testament, the religious teaching adhered to by most of the designers of our system, past and present. **END**

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HOW TO COMMUNICATE WITH SILENCE

Others will contribute more if you create a vacuum in the discussion

THERE'S AN IMPORTANT side to communication that many businessmen overlook. It is knowing when not to communicate.

Silence can be reassuring, comforting, questioning or even stimulating—depending on the circumstances.

It can be a useful management tool for those who know:

- ▶ What silence does to people.
- ▶ How to use it.
- ▶ What to avoid.

What silence does to people

For clarification, let's examine the impact of silence on people.

Silence in a face-to-face situation tends to generate tension and anxiety. This is basically unpleasant. That's why people usually remove the cause of the anxiety—the silence—by talking.

Because anxiety can cause people to act, it is a motivating power that a manager can bring into play by simply saying nothing.

Of course, not everyone reacts in the same way to silence. Some don't seem to mind it—for a while. Others, especially those who are generally tense, insecure, dependent and uncertain, react strongly.

The particular situation, too, determines how a particular person will react. Anxiety is much more likely to increase between an executive and a subordinate than between two long-time friends. The manager's position tends to threaten the subordinate.

How silence can be used

Using silence purposely to create anxiety may seem repulsive. After all, no one wants to make another uncomfortable by design. But the purpose is not to make a subordinate uncomfortable—in fact, he seldom notices the anxiety because he starts talking long before he is aware of it. So silence promotes communication and contributes to the effectiveness of the relationship between the manager and his subordinate.

Managers can use silence for various ends:

1. *To encourage subordinates to think problems through* before giving answers. This promotes growth of the subordinate. It also increases his feeling of contributing.

But if the subordinate reacts strongly to silence, won't he leap in with his first hasty idea just to break the silence? Not if he's worth his salt. If the silence isn't broken—and if it's clear that the manager isn't going to break it—the subordinate will usually try to come up with the best solution he can think of. He is under stress, a condition which causes many people to think better and faster.

2. *To encourage and permit subordinates to express themselves fully.* This can do a great deal to increase both the employe's involvement in his job and the amount of satisfaction he gains from it. The more a subordinate gives of his knowledge and feelings, the more personal satisfaction he will gain from seeing the problem solved. The manager will feel more certain that he has all the data the subordinate can provide.

Also, when the subordinate is allowed to contribute, without interruption, he knows that the manager has a definite interest in what he can deliver.

3. *To increase the probability of uncovering emotionally loaded information.* One of a manager's major responsibilities is to help each of his people reach his full potential and gain the greatest possible satisfaction from his work.

When an employe has something on his mind which bothers him—a gripe, a fear, a resentment, or a hope—it can drain off a lot of valuable energy. The leader can use silence to help subordinates bring these things out in the open.

A case in point is that of a supervisor who had seen several of his best men transferred and had been unable to get them replaced. His budget requests had been cut. As a result, he became worried that his work dissatisfied his superiors.

He began to tighten up. He haunted the manager's office to talk over departmental problems. The manager became annoyed.

He mentioned this to his own superior who suggested that this might be a sign that something which he either didn't recognize, or found difficult to bring up was bothering the subordinate. He suggested that the manager should deal with the specific question which the man brought in—and then keep quiet.

The man soon reappeared with another obvious question. When it was answered, the manager asked how things in general were in the department.

The answer was "fine."

The manager said, "Good, give me a run down," and sat back to listen.

He heard first a series of positive

reports. When these stopped—he kept silent. After a few moments, the supervisor said he had been wondering a bit about the company's plan for his project. The manager quietly asked "How so?" By keeping silent he heard the full list of his subordinate's worries and was able to reassure him. One rule to remember is: Use silence only when it is logical to expect the other fellow to say something.

There are two general conditions for this. One is after you have asked a broad question; the other is when the other fellow has been talking and it is appropriate for you to assume he may have more to say—even though he has fallen silent.

The manager also feels the anxiety silence produces. When it is obviously generating too much anxiety in the other person, the manager must break it.

How can you tell when too much anxiety is being created? When the other person begins to focus his attention on the silence itself, and not on the problem at hand.

The manager who knows what he is doing (and this takes into account the manager's awareness of the other person's makeup) may wish to allow this heightened anxiety to develop slightly further. Sometimes when dealing with a problem employe, an emotional response is the only thing which will clear the air. However, the manager must avoid the appearance of having a contest.

Silence defeats itself when it generates excessive—and hence, destructive—tension.

Here are some general rules:

1. Avoid letting the silence-anxiety reach the other person's level of consciousness.

2. Avoid giving signs of not listening or non-acceptance of his ideas. Do not appear bored, distracted or disinterested. Many people are weak in their ability to convey interest while remaining silent. You may overcome this by merely nodding, moving or smiling. You can direct your attention to the other individual, but be careful to avoid staring or overfixed attention.

3. Be careful not to interrupt the subordinate's thought stream.

This, however, does not mean total silence. The subordinate must feel he is in an exchange rather than a monologue. Above all, while using silence as a motivator, avoid inserting your own ideas. Save them for another time or for later in the interview.

—JAMES N. FARR
Consulting Psychologist



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FUTURE DOCTORS

continued from page 36

ence in the profession," said Suzanne Oparil, first year medical student at Columbia.

At the University of Michigan, in Ann Arbor, William D. Burton, 29-year-old senior, replied that he would be much less enthusiastic about practicing medicine within the framework of nationalization.

"It is my feeling," he said, "that nationalization would interfere not only with those making a selection for the profession but would also interfere with the intellectual freedom of those already in the profession."

A fourth year student at the University of Florida Medical School in Gainesville bluntly commented: "I would refuse to practice under such circumstances and would practice elsewhere."

Another University of Florida Medical School senior said, "I have seen British medicine and found much of it distasteful. Particularly unnecessary are the fixed doctor's fees. I would therefore be much less enthusiastic about entering a medical career in a similar nationalized profession. Fixed fees, regardless of time, ability, special skills, number of patients, squelches incentive to do a good job."

D. G. Wootton, 25-year-old third year student at The George Washington University Medical School in Washington, observed: "I chose medicine as a career because I wanted a profession which offered me a chance to work with people and still left me the right to be my own supervisor. I have never wanted to be a government employe, and although I would probably still choose medicine as my career I would seriously look for a free country to practice my profession in."

Running through the answers was the recurring theme that nationalized medicine would upset the traditionally close relationship between doctor and patient in American medicine, to the detriment of both. Many students emphasized their desire for independence of action, which they felt would evaporate under the bureaucratic pressures of nationalized health care. Some warned that advances in medical technique and discovery would be impaired by nationalization and others said they dreaded the build-up in administrators—as opposed to practicing physicians—which they felt would come under a federalized system.

Bert Price, third quarter student at the University of Tennessee College of Medicine, said, "Nationalization of the medical profession would destroy incentive and harm the profession. Speaking from a personal point of view, with all the time, hard work and money we put into becoming doctors, we feel we deserve freedom as to how we practice and what we are paid."

Donald Bane, a Tulane University medical student, said "Medicine is a science and dictation by the government would eventually lead to its deterioration."

Students who indicated that they would be just as enthusiastic under a government-operated health system as under private medicine included a significantly large number who already had decided to seek government jobs in the field, or to enter research or teaching.

> "Along with government medicine would come government bureaucracy, ineptness, and most of all control of the private physician. To be assigned a certain number of patients and being remunerated on that basis is not my idea of the practice of medicine."
>
> **Stanley A. Gall**
> Fourth year student
> University of Minnesota

A few—Robert Elias of the University of California, for example—said nationalization would not deter them in any way from embarking on a career in medicine. Mr. Elias told an interviewer: "I just want to make a decent living. In some ways nationalized medicine would probably be an advantage because I wouldn't be worked to death. I would have more regular hours."

Many of the students who expressed strong dislike for nationalized medicine added that their humanitarian motives for studying medicine in the first place would keep them in the field despite their convictions about the undesirability of government-controlled care.

Financial aid for students

Financing a medical education is

a heavy burden for the majority of students in the nation's medical schools. In some schools, a student in debt $2,000 or $3,000 for his education is looked upon as fortunate by classmates who may owe $8,000 or more before they pass from school through internship and residency to private practice.

It is not surprising, therefore, that all but a handful of the students urged the maximum provision of financial assistance for those studying medicine.

More than half recommended that private, rather than governmental, sources be tapped for such aid. More than one fourth indicated that they believed federal aid would be desirable, although a sizable number of these were concerned over the consequences of being indebted to Washington. Some students said they thought both public and private funds should be used.

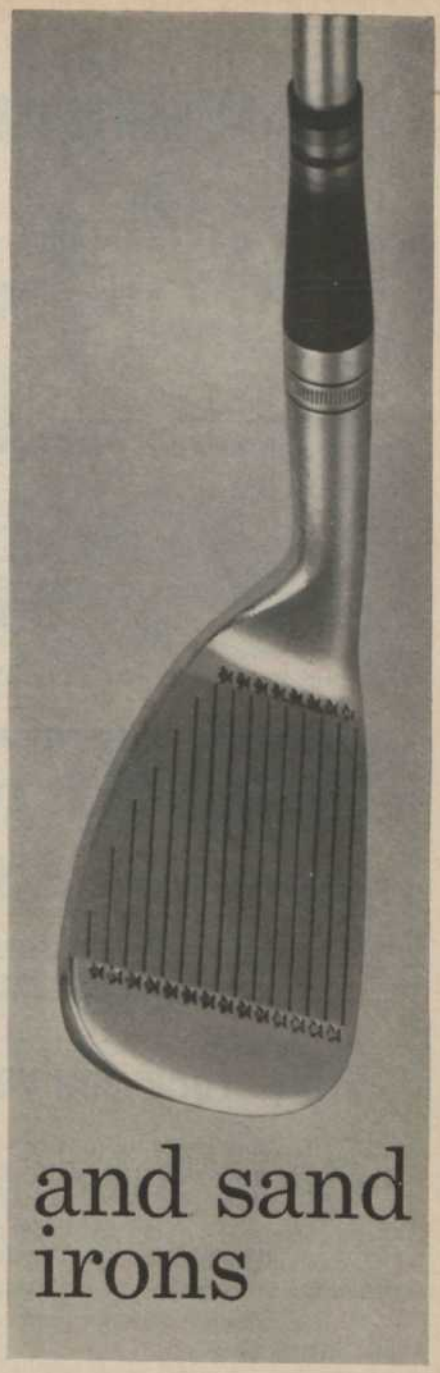
"I think we need private aid that can be paid back when the student starts his practice," said Paul Maher, first-year student at Ohio State University College of Medicine in Columbus. "When you have the government paying for education, it could have something to say in your practice after you get out of school. The government and taxpayers have enough expense without adding something else."

John J. Kelly, Jr., third year student at St. Louis University, told a reporter: "A private program of assistance seems to me to be more desirable because education is a private endeavor. I feel that the important aspect of assistance is that it should be on an economically sound basis. That is, loans should be paid back directly and with interest. The policy of 'something for nothing' should be avoided. As a student deeply in debt I feel that there is a feeling of accomplishment in knowing that ultimately one has paid for his own education. The money will be paid back and the country will have another doctor. Any time it is easy to become a doctor—there won't be good doctors."

At Jefferson Medical College in Philadelphia, Theodore F. Mucha, 23, a second year student, said, "There should be some means by which students could be helped, whether government or private. I am not sure which one is the better. But I know that by the time I am through my education, it will have cost my parents more than $20,000. This is quite a strain on them. I wish the burden could be



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FUTURE DOCTORS

continued

lessened because I feel medicine is pricing itself out of the range of many students."

Many of the students who indicated they would accept federal assistance stipulated that it should be in the form of loans, rather than outright grants or scholarships, so that the recipient's obligation to the government could be erased through repayment.

The American Medical Association recently started a loan program for medical students, and the availability of low-interest loans under this program—as well as the availability of other nongovernmental financing—was cited by some students who said they preferred to rely on private sources for financial assistance.

Larry M. Barsocchini, third year student at the University of California School of Medicine, said he opposes government financial aid because "this leads the way for the government to get in and own the doctor."

> "There is a point at which security becomes dependence and self-initiative becomes group complacency . . . national policies are becoming all-encompassing in their scope, serving only to increase the sense of security and further decrease self-reliance and self-initiative."
>
> **Angus M. McBryde, Jr.**
> Fourth year student
> Duke University

John B. Sikorski, senior student at the University of Michigan, said he was "categorically against federal activity in any area which is not first responsible to and administered by people in the local areas where the federal expenditures are used." He suggested that private and local funds first be thoroughly exhausted before federal money is brought into a new private sector of the economy.

"With government spending," Mr. Sikorski added, "there must be government control, otherwise there would, by definition, be irresponsibility."

James Elfing, 23-year-old first year medical student at Columbia

University, parried the question with another: "Why should my parents and I send in money to Washington for federal income taxes and have a fraction of it come back to me for a scholarship? Absurd. Allow income tax relief for parents,

"One of the reasons I chose medicine was because it is one of the last areas in this country where an individual can express some individuality and not be bound down by red tape and increasing centralization. I would not be satisfied with seeing the 80-odd patients per day that the average doctor sees in Great Britain on a winter day (it would be more here) and giving them inadequate care."

M. David Thier
Fourth year student
University of Florida

students and wives. A single student must have $3,500 to go through a single year of New York medical school. We need tax relief."

Among those interviewed was William B. Waddell, 31-year-old Duke University medical student and immediate national past president of the Student American Medical Association. In Mr. Waddell's statement was this observation:

"Every person going into medicine has, or should have, some measure of humanitarian instinct underlying his or her motivation. This, to me, is a fragile thing which does not admit control or regimentation. Medicine, in this country, is one of the few remaining professions where an individual may discharge his debt to society responsible only to God, the patient he serves, and his conscience. Personally, I would rather donate my services as a medical missionary than practice under any other system." **END**

REPRINTS *of "Future Doctors Oppose Federal Medicine" may be obtained for 15 cents a copy or $10.15 per 100 postpaid from Nation's Business, 1615 H. St. N. W., Washington 6, D. C. Please enclose remittance.*

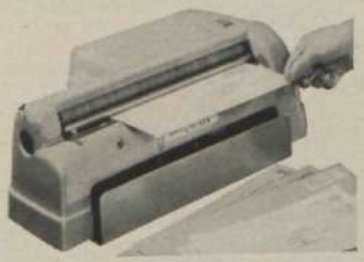


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5. To reduce non-essential government spending.
6. To halt inflation by getting rid of the causes of inflation.
7. To equip and encourage businessmen and others to be better informed, more active and more responsible citizens.
8. To emphasize the worth and dignity of the individual.
9. To advance the political and economic interests of the United States in world affairs.
10. To keep the country productive and strong against the threat of war.

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A delegate to the 50th Annual Meeting makes his views known during open discussion of a proposed policy statement PHOTO: ROBERT PHILLIPS



ADMINISTRATION CAUGHT BETWEEN CONFLICTING GOALS

Approval of spending proposals would aggravate other problems

IF CONGRESS PASSES much more of the Administration's election-year program, increased spending could produce a double threat to the nation's economy.

▶ While the Administration deplores inflation pressure from price and wage rises, its own recommendations for higher spending could generate stronger inflation pressures.

▶ While the President seeks to maintain world confidence in the dollar, the prospective budget deficit will make foreigners wonder: If our budget can't be balanced in good times, when can it be? This could further aggravate our international balance of payments problems and increase the outflow of gold from the U. S.

When President Kennedy last January proposed his record peacetime budget of $92.5 billion for the fiscal year that begins next month, he predicted revenue would cover the spending.

Then the Administration raised the prices on many of the legislative proposals in a series of special messages to Congress.

Of course Congress won't accept the entire Administration legislative program, even in an election year. But in some cases Congress will attempt to outdo the President's spending recommendations. With all its costly proposals, the Administration is caught between the goals of financial responsibility and expansion of a variety of federal programs.

How cost adds up

Here are major proposals for increased spending the Administration has sent to Congress this year. Many of the measures are unquestionably necessary. However, a glance at the costs shows how the hoped-for budget balance will likely tip sharply into the red, if Congress goes along with a substantial number of them.

The sweeping agriculture program now pending in Congress includes acreage allotments for feed grains, a certificate plan for wheat, milk price supports and production quotas, rural renewal programs, conversion of cropland to grassland and parks. The cost for next fiscal year is estimated at $7.3 billion. Some of this program will fail to pass Congress, but costs still may rise above the estimate.

President Kennedy wants authority to spend $600 million for practically any kind of public works project in areas which the government classes as heavy unemployment or undeveloped rural areas. This would be tied to an added $2 billion works program in the event of recession.

The President has asked a pay raise for federal employes that would eventually cost $1 billion a year.

However, Congress may make the raise effective earlier, making it more costly in fiscal '63. Or Congress may back a measure costing nearly twice as much.

Congress upped defense authorizations by including nearly $500 million for the RS-70 big bombers.

The Administration's education program calls for $1.1 billion in fiscal 1963.

Much of the ten-point program won't pass. But loans and grants for colleges probably will be made available.

New public welfare rehabilitation services are supposed to save money eventually but will be more expensive for the immediate future. Higher ceilings for child welfare grants and new day-care programs for children of working mothers

Health tax would feed inflation

The controversial scheme to raise social security taxes to pay for a government health program for the aged would add to inflationary pressures.

If higher social security taxes are withheld from employes' pay to finance the plan, pressures will increase for offsetting wage and salary boosts.

Moreover, if extra social security taxes are levied on employers, their costs will go up. If they pass this cost along, the resulting higher prices could add to the inflation spiral. If employers don't pass the cost along, their profits would be lower. With lower profits, lower taxes are paid. This means more deficit in the federal budget.

were estimated to cost $193 million in the coming year. The original estimate in January was more than $10 million lower.

For foreign aid, Mr. Kennedy asked nearly $4.9 billion, about $1 billion more than the previous year.

In a transportation message, Mr. Kennedy proposed federal control and financing of intercity transportation, urban transportation and international transportation programs, plus increased competition among carriers.

The cost of much of the program is unknown, but a capital grant authorization of $500 million for three years rather than the original $100 million a year request in January would be set up to help public agencies cover part of the cost of acquiring rights-of-way and facilities to rehabilitate existing systems or create new ones for mass urban transportation.

A $500 million eight-year land conservation fund is also a new request not mentioned in the budget.

In the consumer protection field, in addition to what was already asked in the budget, inspection and other programs would cost $10 million more.

A fall-out shelter program would cost $695 million if approved.

Peace Corps expenses would increase from $40 million last year to nearly $64 million.

The reciprocal trade legislation aimed at increasing exports calls for a revolving fund of $100 million for adjustment assistance to firms or farms hurt by tariff reductions. No cost has been put on the potentially expensive plan to help workers displaced by businesses that close down in industries hurt by freer trade.

Unproven theory

The Administration theory that federal spending will inject new life into the national economy is still unproven. The income-outgo balance has now seesawed so that a deficit of from $4 billion to $7 billion is possible for fiscal 1963. The deficit could be even heavier since some recommended legislative proposals still carry no specific price tags.

The expected fiscal 1963 deficit will fall on top of an estimated deficit of $7 billion for fiscal 1962 that ends this month.

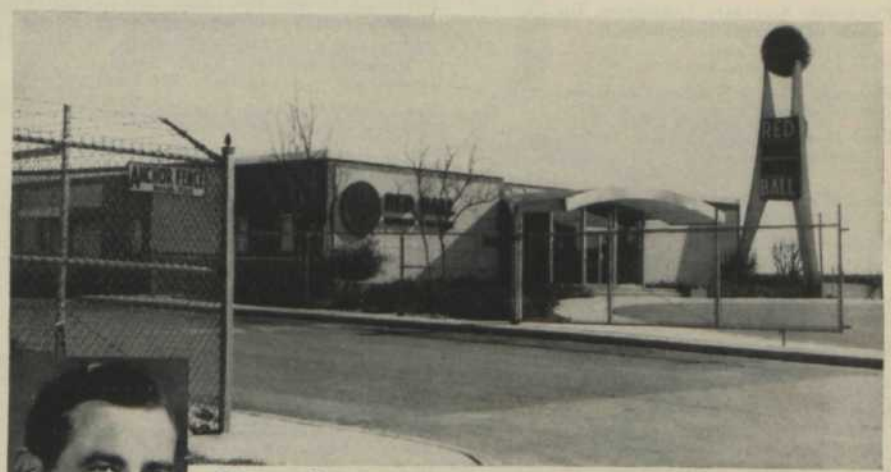
A federal deficit tends to be inflationary in good times because the federal government is putting more money into circulation than it is taking out of the economy in

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CONFLICTING GOALS

continued

the form of taxes. When the supply of money rises at a time when the economy is expanding, it creates more purchasing power to force up prices and wages.

Many of the Administration recommendations to Congress are for three-year, five-year and eight-year programs. Such built-in automatic boosts in spending make it even harder for Congress to hold the line on expenditures. It makes balanced budgets more difficult in years ahead.

A new spurt of inflation would have serious international ramifications. The deficit in our international balance of payments is caused by the fact that more money is going overseas than is coming back to the U. S. Part of the deficit is paid for in gold.

The most effective way to solve our imbalance in foreign payments, it is generally agreed, is to increase exports sharply. But to sell more abroad, U. S. businesses must meet the prices of foreign competitors. This can hardly be done if inflation pushes up wages and prices and makes U. S. goods more expensive.

If inflation cheapens our money further, international confidence in the dollar will continue to weaken. This may lead foreign banks to demand more gold instead of dollars from the U. S. An increased drain of gold could cause critical international financial problems.

The most drastic solution the Administration could apply would be to devaluate the dollar. Lowering the value of the dollar would mean that foreign currency could buy more goods in the U. S. Also our dollars would buy less abroad. This could help bring our international payments more into balance. But there are many uncertainties as to what other countries would do in response to such a move.

The Administration also could cut back drastically on military and foreign-aid spending abroad. This is an even less likely alternative.

More acceptable alternatives, in the minds of most experts, would be government policies that would make our exports more competitive, such as making it easier for industry to modernize; economizing on the federal level to seek balanced noninflationary budgets, and keeping U. S. interest rates in line with those of other nations to attract savings. **END**

Computers can talk by telephone, too

More and more, "machine talk" is being transmitted over the same communications facilities that carry your everyday telephone conversations. The Western Electric Data-Phone set shown below helps make it possible. It converts machine language—from punched cards, paper tape or magnetic tape—into tone language for transmission over the nation-wide telephone network.

It is the versatility and reliability of this communications network that permits machines to "talk" with each other no matter what the distance between them. They can, because the entire Bell Telephone network was designed and built to common standards by people with a common purpose—ever-better telephone service.

Example: Data-Phone service. Alert to the evolving communications needs of our fast-changing society, the Bell Telephone companies foresaw the need for a new service to speed the transmission of business and technical data. Bell Telephone Laboratories developed the instrumentalities. And Western Electric makes them to stringent quality standards.

Our shared responsibility for ever-better telephone service is the force behind innovations which have brought Americans the finest—and the most—communications anywhere.

We work best because we work together.



Western Electric

MANUFACTURING AND SUPPLY UNIT OF THE BELL SYSTEM

To advance the public interest

THE ADMINISTRATION'S demonstrated determination to act quickly in the public interest deserves applause as an evidence of high purpose.

Exercised in proper fields, this determination can give the nation greater strength.

But the fields where the federal government can actually advance the public interest are few—and fewer of them are economic.

The reason is simple. In the economic field there is no single public interest. The steel mill employe, for example, is a member of the working public. He is also a member of the union public.

In addition, he may or may not be married, have children in school, belong to a church, a lodge, own his home, or stocks, or bonds, or an insurance policy, drive a car, or attend retraining courses. Certainly he is a consumer but, except for food and a few other essentials, few of us are consumers of the same things. He may own or desire a bigger house, a home workshop, a boat. He may go to the theater, watch television, hunt, fish, read, bowl, or travel.

All these human desires and preferences create an indefinite number of public interests that no all-embracing government action can satisfy. The effort to set wages or prices, provide medical care, or schools, or social benefits for one public may injure another. And the same people may be members of both.

Only when businessmen are free to specialize in serving some segment of the whole can the economic public interest be met.

Freed from this futile responsibility, the Administration could give its full time to meeting the few public interests that only government can handle:

First, all our various publics want safety from attack.

Second, all want assurance that their money will not deteriorate in value.

Third, all complain about present tax laws.

The first of these the government is earnestly attempting to provide.

On the second the public has only soothing reassurances that the danger is negligible if prices are steady.

On the third it is counseled to patience.

When government looses its proven capacity for fast, united action on these it will be acting in the true public interest.

Cost of free service

DO YOU want Washington to help you?

Take a look at these figures.

Federal tax collections totaled:

$3 billion in 1930

$5 billion in 1940

$39 billion in 1950

$92 billion in 1960

$110 billion (estimated) for 1963.

Still undecided? Consider the national debt:

$16 billion in 1930

$43 billion in 1940

$257 billion in 1950

$286 billion in 1960

$295 billion (estimated) for 1963.

Interest on that mortgage takes more than nine cents out of each tax dollar collected.

It's cheaper to do it yourself.



Diesel or gas powered. Choose from four Cummins Diesel engines, five Ford Super Duty gas V-8's. New Ford H-Series tractors permit 40-foot trailers within 50-foot over-all length, even with optional sleeper cab. Single- or tandem-axle models with GCW's to 76,800 lbs.

Ford's full-time economy only starts with low price!

Rugged Ford Highway Tractors give you Maintenance-Engineered Design for sure durability -lasting economy!

Wherever you look in Ford's new H-Series highway haulers, you'll find ways that Ford engineers have made Ford Trucks more service-free. Small ways, such as interlocking radiator seams that double resistance to leaks! Ingenious ways, such as printed circuits to replace the usual snarl of wires behind the instrument panel! Dramatic ways, such as new Hypalon*-insulated wiring that even short circuits can't burn out! There are scores of similar features in Ford Trucks. Together these many features assure greater durability, increased reliability, lower operating costs. The full story is told in a new 28-page booklet available from your Ford dealer. *DuPont's Registered Trademark

FORD TRUCKS COST LESS

SAVE NOW...SAVE FROM NOW ON!

FORD TRUCK CERTIFIED ECONOMY REPORTS



100,000-MILE WARRANTY

Ford Motor Company warrants to its dealers who, in turn, warrant to their customers each 401-, 477- and 534-cu. in. Super Duty engine for 100,000 miles. Ford Dealers will replace all major engine parts (including block, heads, crankshaft, valves, rings, pistons) found defective in material or workmanship. Warranty covers full cost of replacement parts for 100,000 miles or 24 months (or 3,000 hours of operation as a power source other than propelling the truck), whichever occurs first; plus full labor costs for 50,000 miles, 12 months, or 1,500 hours, sliding scale thereafter.

Exclusive 100,000-mile warranty on Super Duty gas V-8's. Built to keep running longer, with less chance of breakdown than any other gas engines in the industry! And Ford tilt cab chassis are built to the same durability standards!

PRODUCTS OF Ford MOTOR COMPANY

TRENCHING TO PUT VITAL COMMUNICATION LINES UNDERGROUND is just one of the ways International® industrial tractors are cutting costs for industry. Eight power sizes match the widest range of digging, lifting, pulling, mowing and similar assignments. They are sold and serviced by the nation's largest network of experienced dealers, backed by 12 strategically located parts depots. For your nearby dealer's name and copy of full line catalog, write International Harvester Company, Dept. BN-9, P. O. Box 7333, Chicago 80, Illinois

